

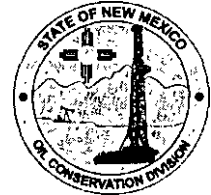
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David Catanach, Director
Oil Conservation Division



Response Required - Deadline Enclosed

27-Jun-16

CANYON E & P COMPANY
4925 GREENVILLE AVE SUITE 900
DALLAS TX 75206-

LETTER OF VIOLATION - Inactive Well(s)

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 201 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 203, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 202, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

IDLE WELL INSPECTION DETAIL SECTION

NORTHEAST SQUARE LAKE PREMIER UNIT 007	P-3-16S-31E	30-015-04787-00-00	Inspection No. ITM1617644758
Inspection Date: 6/24/2016 12:25:53 PM		Corrective Action Due by: 9/27/2016	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic	Tony Morales	Yes	No
Comments on Inspection:	Idle Well (Rule 19.15.25.8) SIGN. NO PJ. WELL HEAD. NO LOCATION		
<hr/>			
NORTHEAST SQUARE LAKE PREMIER UNIT 005	P-3-16S-31E	30-015-04788-00-00	Inspection No. ITM1617647739

Inspection Date: 6/24/2016 1:15:35 PM

Corrective Action Due by: 9/27/2016

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Tony Morales

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8)
SIGN.

NO PJ. WELL HEAD. NO LOCATION

**NORTHEAST SQUARE LAKE
PREMIER UNIT 006**

O-3-16S-31E

30-015-04792-00-00

Inspection No. iTM1617644230

Inspection Date: 6/24/2016 12:17:08 PM

Corrective Action Due by: 9/27/2016

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Tony Morales

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8)
SIGN.

NO PJ. WELL HEAD. NO LOCATION

**NORTHEAST SQUARE LAKE
PREMIER UNIT 002**

J-3-16S-31E

30-015-04793-00-00

Inspection No. iTM1617646026

Inspection Date: 6/24/2016 12:47:03 PM

Corrective Action Due by: 9/27/2016

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Tony Morales

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8)
SIGN. ROAD WASHED OUT

NO PJ. WELL HEAD. NO LOCATION

**NORTHEAST SQUARE LAKE
PREMIER UNIT 003**

K-3-16S-31E

30-015-04794-00-00

Inspection No. iTM1617646852

Inspection Date: 6/24/2016 1:00:49 PM

Corrective Action Due by: 9/27/2016

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Tony Morales

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8)
SIGN.

NO PJ. WELL HEAD. NO LOCATION

**NORTHEAST SQUARE LAKE
PREMIER UNIT 012**

A-9-16S-31E

30-015-04831-00-00

Inspection No. iTM1617648243

Inspection Date: 6/24/2016 1:24:01 PM

Corrective Action Due by: 9/27/2016

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Tony Morales

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8)
SIGN. FLOW LINE ON LOCATION

NO PJ. WELL HEAD. NO LOCATION

**NORTHEAST SQUARE LAKE
PREMIER UNIT 011**

D-10-16S-31E

30-015-04839-00-00

Inspection No. iTM1617643386

Inspection Date: 6/24/2016 12:03:03 PM

Corrective Action Due by: 9/27/2016

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Tony Morales

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8)
SIGN.

NO PJ. WELL HEAD. NO LOCATION

**NORTHEAST SQUARE LAKE
PREMIER UNIT 026**

J-10-16S-31E

30-015-04842-00-00

Inspection No. iTM1617925912

Inspection Date: 6/24/2016 7:11:46 AM

Corrective Action Due by: 9/27/2016

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Tony Morales

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8)
HEAD. FRESH OIL STAINED AREA APPROX. 15' X 20' LOCATION SIGN NOT VISIBLE.

NO PJ. STAINING AROUND WELL

**NORTHEAST SQUARE LAKE
PREMIER UNIT 031**

O-4-16S-31E

30-015-25943-00-00

Inspection No. iTM1617648697

Inspection Date: 6/24/2016 1:31:34 PM

Corrective Action Due by: 9/27/2016

Type Inspection: Routine/Periodic
Inspector: Tony Morales
Comments on Inspection: Idle Well (Rule 19.15.25.8)
SIGN.

Violation? *Significant Non-Compliance?
Yes No
NO PJ. WELL HEAD. NO LOCATION

NORTHEAST SQUARE LAKE N-3-16S-31E 30-015-27560-00-00 Inspection No. iTM1617643834
PREMIER UNIT 030

Inspection Date: 6/24/2016 12:10:30 PM

Corrective Action Due by: 9/27/2016

Type Inspection: Routine/Periodic
Inspector: Tony Morales
Comments on Inspection: Idle Well (Rule 19.15.25.8)
OF WELL HEAD NO LOCATION SIGN.

Violation? *Significant Non-Compliance?
Yes No
NO PJ. WELL HEAD. SUCKER ROD OUT

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,


Artesia OCD District Office

* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas.