

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

Field Inspection Program
"Preserving the Integrity of Our Environment"

12-Jul-16

SMITH & MARRS INC
P.O. BOX 863
KERMIT TX 79745-9745

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

| GILMORE STATE No.001 | | | | N-17-18S-28E | 30-015-01894-00-00 | |
|---------------------------------|-----------------------------|---|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 07/12/2016 | Routine/Periodic Violations | Tony Morales | Yes | No | 10/15/2016 | iTM1619444876 |
| General Housekeeping (Rule 114) | | | | | | |
| Comments on Inspection: | | OK PJ. TANK BATTERIES OK. OLD TANK BATTERY STAIR WAY ON LOCATION. CONTAMINATED MATERIAL ON LOCATION. STAINING AROUND WELL HEAD. | | | | |

| SIGNAL STATE No.002 | | | | E-17-18S-28E | 30-015-01901-00-00 | |
|---------------------------------|-----------------------------|---|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 07/12/2016 | Routine/Periodic Violations | Tony Morales | Yes | No | 10/15/2016 | iTM1619439181 |
| Surface Leaks/Spills | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. PJ, TANK BATTERIES OK, CONTAMINATED MATERIAL ON LOCATION. STANDING OIL AROUND WELL HEAD | | | | |

GRARIDGE STATE No.003

L-17-18S-28E

30-015-01904-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619443675 |
| Violations | | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. PJ NOT CONNECTED TO WELL HEAD.
LOCATION SIGN NOT VISIBLE

GRARIDGE STATE No.004

L-17-18S-28E

30-015-01905-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---------------------------------|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619443961 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. PJ. SUCKER RODS ON LOCATION, OLD PJ ON LOCATION

ADKINS WILLIAMS STATE No.006

O-17-18S-28E

30-015-01906-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619446594 |
| Violations | | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. PJ. LOCATION SIGN NOT VISIBLE.
POWER OFF

WELCH STATE No.005

J-17-18S-28E

30-015-01912-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---------------------------------|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619445782 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. NO PJ CONNECTED TO WELL HEAD.
TANK BATTERIES OK. OLD TANK BATTERIES ON LOCATION, OLD PJ ON LOCATION.

ADKINS WILLIAMS STATE No.001

O-17-18S-28E

30-015-10450-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---------------------------------|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619446880 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. OLD TANK BATTERIES ON BATTERY LOCATION.

WELCH STATE No.007

K-17-18S-28E

30-015-10451-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---------------------------------|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619444309 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. PIO OLD PJ ON LOCATION STAINED
AREA AROUND WELL HEAD. TANK BATTERIES CONTAMINATED MATERIAL

WELCH STATE No.003Y

K-17-18S-28E

30-015-10525-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---------------------------------|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619445423 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. PJ. STAINING AROUND WELL HEAD
CONTAMINATED MATERIAL ON LOCATION

GILMORE STATE No.002

N-17-18S-28E

30-015-24489-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619447101 |
| Violations | | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. PJO. LOCATION SIGN NOT LEGIBLE.

WELCH STATE No.009

J-17-18S-28E

30-015-24491-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---------------------------------|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 07/12/2016 | Routine/Periodic | Tony Morales | Yes | No | 10/15/2016 | iTM1619437653 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipment and Location in Good Shape. PJ, STAINING AROUND WELL HEAD+
STAINED AREA APPROX 10' X 20' OLD UNMARKED 55 GALLON DRUM ON LOCATION

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.

Sincerely,


Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.