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"

22-Jul-16

TANDEM ENERGY CORPORATION2700 POST OAK BLVDSUITE 1000HOUSTON TX 77056

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.

		INSPECTIO	N DETAIL	L SECTION		
BALLARD	GRAYBURG SAN AND	RES UNIT No.003		C-5-18S-29E *Significant	30-015-03295-00- Corrective	
Date	Type Inspection	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
07/22/2016	Routine/Periodic	Tony Morales	Yes	No	10/25/2016	iTM1620437944
	Violations					
	General Housekeeping (Rule 114	4)				
Comments	on Inspection: OK. All Equ	ipment and Location in	Good Shape	PL STAINING ARC	UND WELL HEAD	
0011111111	on inspection OR. All Equ	ipment and Eccation in	0000 Dinapo	. 15, 517 millio Aice	OUD WEEL UDAD	
	GRAYBURG SAN ANDR Type Inspection	·	Violation?	M-5-18S-29E *Significant Non-Compliance?	30-015-03303-00- Corrective Action Due By:	00 Inspection No.
BALLARD Inspection Date	GRAYBURG SAN ANDR	RES UNIT No.001B		M-5-18S-29E *Significant	30-015-03303-00- Corrective	
BALLARD Inspection Date	GRAYBURG SAN ANDR	RES UNIT No.001B	Violation?	M-5-18S-29E *Significant Non-Compliance?	30-015-03303-00- Corrective Action Due By:	Inspection No.
BALLARD Inspection	GRAYBURG SAN ANDR Type Inspection Routine/Periodic	RES UNIT No.001B Inspector Tony Morales	Violation?	M-5-18S-29E *Significant Non-Compliance?	30-015-03303-00- Corrective Action Due By:	Inspection No.

Inspection	Type Inspection	Inspector	Violation?	*Significant	Corrective	Inspection No.
Date)7/22/2016	Routine/Periodic	Tony Morales	Yiolation: Yes	Non-Compliance? No	Action Due By: 10/25/2016	iTM1620438748
112212010	Violations General Housekeeping (Rule 1	·	165	NO	10/25/2010	111020438748
Comments		quipment and Location ir	Good Shane	PL STAINING AR		
			i ooou shape		·····	
DALLARD Inspection Date	GRAYBURG SAN AND Type Inspection	Inspector	Violation?	N-5-18S-29E *Significant Non-Compliance?	30-015-03306-00- Corrective Action Due By:	UU Inspection No.
7/22/2016	Routine/Periodic	Tony Morales	Yes	No	10/25/2016	iTM1620435473
	Violations General Housekeeping (Rule 1	·	100			
Comments	1.0	uipment and Location in	Good Shape	. PJ. STAINING AR	OUND WELL HEAD) .
BALLARD	GRAYBURG SAN AND		•	J-5-18S-29E	30-015-20975-00-	·
Inspection	T	*	¥77 - 1 - 47 0	*Significant	Corrective	Increation No.
Date)7/22/2016	Type Inspection Routine/Periodic	Inspector Tony Morales	Violation? Yes	Non-Compliance? No	Action Due By: 10/25/2016	Inspection No. iTM1620439439
112212010	Violations	Tony Morales	res	INO	10/25/2016	11W11020439435
	Absent Well Identification Sig	ns (Rule 103)				
Comments of	on Inspection: OK. All Ec	uipment and Location in	Good Shape	LOCATION SIGN	NOT VISIBLE	
ALLARD	GRAYBURG SAN AND	RES UNIT No.006A		C-5-18S-29E	30-015-24117-00-	00
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
7/22/2016	Routine/Periodic	Tony Morales	Yes	No	10/25/2016	iTM1620437742
07/22/2016	Violations	·	Yes	No	10/25/2016	iTM1620437742
	Violations General Housekeeping (Rule 1	14)				
	Violations General Housekeeping (Rule 1 on Inspection: OK. All Eq	·		. PJO, STAINING AR	COUND WELL HEAD	
Comments of	Violations General Housekeeping (Rule 1 on Inspection: OK. All Eq FEDERAL No.001	14) uipment and Location in	Good Shape.).)0
Comments of RAVIS E I Inspection Date	Violations General Housekeeping (Rule 1 on Inspection: OK. All Eq FEDERAL No.001 Type Inspection	14) uipment and Location in Inspector	Good Shape. Violation?	PJO, STAINING AR K-6-18S-29E *Significant Non-Compliance?	OUND WELL HEAD 30-015-24486-00-0 Corrective Action Due By:).)0 Inspection No.
Comments of TRAVISE I Inspection Date	Violations General Housekeeping (Rule 1 on Inspection: OK. All Eq FEDERAL No.001 Type Inspection Routine/Periodic Violations	14) uipment and Location in	Good Shape.	PJO, STAINING AR K-6-18S-29E *Significant	COUND WELL HEAD 30-015-24486-00-0 Corrective).)0
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Comments of TRAVIS E I Inspection Date 07/22/2016 Comments of	Violations General Housekeeping (Rule 1 on Inspection: OK. All Eq FEDERAL No.001 Type Inspection Routine/Periodic Violations Fire Walls and Dikes on Inspection: OK. All Eq	14) uipment and Location in Inspector Tony Morales uipment and Location in	Good Shape. Violation? Yes Good Shape.	PJO, STAINING AR K-6-18S-29E *Significant Non-Compliance? No PJ. TANK BATTEI	OUND WELL HEAD 30-015-24486-00-0 Corrective Action Due By: 10/25/2016 RIES NO CONTAINM	D. 100 Inspection No. iTM1620444731 MENT.
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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 Divison Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well.

1

Sincerely, Q, Artesia QCD 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.