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"

16-Aug-16

STEPHENS & JOHNSON OP CO PO BOX 2249 WICHITA FALLS TX 76307

LETTER OF VIOLATION -

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

| STATE 648 AC 811 No |).O7 | 1 |
|---------------------|------|---|
|---------------------|------|---|

G-10-19S-28E

30-015-02203-00-00

Inspection

Type Inspection

Inspector

*Significant Violation? Non-Compliance? Corrective

Date

08/16/2016

Routine/Periodic

Gilbert Cordero

Yes

No

Inspection No. Action Due By:

11/19/2016

iGC1622927504

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT. POWER OFF TO PJ Comments on Inspection:

EAST MILLMAN UNIT No.147

Type Inspection

Inspector

Violation?

Yes

30-015-02249-00-00 Corrective

Inspection Date

Routine/Periodic

Gilbert Cordero

Gilbert Cordero

*Significant Non-Compliance? No

E-14-19S-28E

Action Due By: 11/19/2016

Inspection No. iGC1622949331

08/16/2016 Comments on Inspection:

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT

EAST MILLMAN UNIT No.001

A-15-19S-28E

30-015-02256-00-00

Inspection Date

08/16/2016

Type Inspection Routine/Periodic Inspector

Violation? Yes

*Significant Non-Compliance? No

Corrective Action Due By: 11/19/2016

Inspection No. iGC1622949650

Comments on Inspection:

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT

Oil Conservation Division * 811 S. First St. * Artesia, New Mexico 88210 Phone: 575-748-1283 * Fax: 575-748-9720 * http://www.emnrd.state.nm.us EAST MILLMAN UNIT No.158 G-22-19S-28E 30-015-02289-00-00

*Significant Inspection Corrective

Inspector Violation? Non-Compliance? Type Inspection Action Due By: Inspection No. Date Routine/Periodic 08/16/2016 Gilbert Cordero Yes No 11/19/2016 iGC1622931069

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT Comments on Inspection:

A-22-19S-28E EAST MILLMAN UNIT No.167 30-015-02291-00-00 Inspection *Significant Corrective

Date Type Inspection Inspector Violation? Non-Compliance? Action Due By: Inspection No. 08/16/2016 Routine/Periodic Yes No 11/19/2016 Gilbert Cordero iGC1622945835

Comments on Inspection: No Well Sign (Rule 19.15.16.8).

STATE 648 AC 811 No.214 30-015-10857-00-00 G-10-19S-28E

Inspection *Significant Corrective Date Type Inspection Inspector Violation? Non-Compliance? Inspection No. Action Due By: 08/16/2016 Routine/Periodic Gilbert Cordero Yes No 11/19/2016 iGC1622928154

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT Comments on Inspection:

FEATHERSTONE WELCH No.002 E-22-19S-28E 30-015-22921-00-00

Inspection *Significant Corrective Date Type Inspection Inspector Violation? Non-Compliance? Action Due By:

Inspection No. iGC1622930213 08/16/2016 Routine/Periodic Gilbert Cordero Yes No 11/19/2016

Well Sign (Rule 19.15.16.8), OPERATOR (SDX) IS NOT CORRECT Comments on Inspection:

EAST MILLMAN UNIT No.196 L-14-19S-28E 30-015-27302-00-00

Inspection *Significant Corrective Non-Compliance? Date Type Inspection Inspector Violation? Action Due By: Inspection No.

iGC1622949119 08/16/2016 Routine/Periodic Gilbert Cordero Yes No 11/19/2016

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT Comments on Inspection:

EAST MILLMAN UNIT No.199 E-14-19S-28E 30-015-27304-00-00

*Significant Corrective Inspection Violation? Inspection No. Date Type Inspection Inspector Non-Compliance? Action Due By:

Routine/Periodic Gilbert Cordero Yes No 11/19/2016 iGC1622949526 08/16/2016

Well Sign (Rule 19.15.16.8), OPERATOR (SDX) IS NOT CORRECT Comments on Inspection:

30-015-27348-00-00 EAST MILLMAN UNIT No.203 B-22-19S-28E

Inspection *Significant Corrective Non-Compliance? Action Due By: Inspection No. Violation? Date Type Inspection Inspector iGC1622946315 08/16/2016 Routine/Periodic Gilbert Cordero Yes 11/19/2016

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT. NO FLOW LINES **Comments on Inspection:**

HOOKED UP - SHOWS PRODUCTION

30-015-27467-00-00 **EAST MILLMAN UNIT No.208** H-22-19S-28E

Inspection *Significant Corrective Violation? Non-Compliance? Action Due By: Inspection No. Type Inspection Inspector Date

iGC1622931224 Yes 11/19/2016 08/16/2016 Routine/Periodic Gilbert Cordero No

Well Sign (Rule 19.15.16.8). OPERATOR (SDX) IS NOT CORRECT Comments on Inspection:

EAST MILLMAN UNIT No.210 D-23-19S-28E 30-015-27481-00-00

Inspection *Significant Corrective

Inspection No. Date Type Inspection Inspector Violation? Non-Compliance? Action Due By: 08/16/2016 Routine/Periodic Gilbert Cordero Yes No 11/19/2016 iGC1622932312

Comments on Inspection: No Well Sign (Rule 19.15.16.8).

EAST MILLMAN UNIT No.224

Inspection

08/16/2016

Type Inspection Date

Inspector Gilbert Cordero

Violation? Yes

Yes

Yes

*Significant Non-Compliance? No

G-22-19S-28E

30-015-27725-00-00 Corrective Action Due By:

11/19/2016

Inspection No. iGC1622930860

Comments on Inspection:

No Well Sign (Rule 19.15.16.8).

EAST MILLMAN POOL UNIT No.014

F-13-19S-28E ~ *Significant

30-015-31678-00-00 Corrective

Inspection Date Type Inspection 08/16/2016 Routine/Periodic

Violation? Inspector Gilbert Cordero

Non-Compliance? No

N-13-19S-28E

Action Due By: 11/19/2016

Inspection No. iGC1622942023

Comments on Inspection:

No Well Sign (Rule 19.15.16.8).

EAST MILLMAN POOL UNIT No.014Q

Routine/Periodic

30-015-33543-00-00

Inspection

Date Type Inspection Routine/Periodic 08/16/2016

Inspector Violation? Gilbert Cordero

*Significant Non-Compliance? No

Corrective Action Due By:

11/19/2016

Inspection No. iGC1622942855

Comments on Inspection:

No Well Sign (Rule 19.15.16.8).

C115 Amendments are required for the following two wells that are not currently producing

EAST MILLMAN UNIT No.203 30-015-27348-00-00 EAST MILLMAN UNIT No.232 30-015-34860-00-00

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.

Sincerely,

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.