

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Response Required - Deadline Enclosed

Field Inspection Program
"Preserving the Integrity of Our Environment"

16-Mar-17

CFM OIL, LLC
PO BOX 1176
ARTESIA NM 88210

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

| KK STATE No.001 | | | | I-2-17S-29E | 30-015-02853-00-00 | |
|---------------------------------|------------------|--|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 03/16/2017 | Routine/Periodic | Tony Morales | Yes | No | 6/19/2017 | iTM1707541619 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. PJ. STAINING AROUND WELL HEAD. TANK BATTERIES NO SECONDARY IMPERMEABLE CONTAINMENT-BERM NO WINDSOCK OLD TANK BATTERY ON LOCATION OTHER DERIS | | | | |

| MORGAN STATE | | No.003 | B-2-17S-29E | 30-015-02857-00-00 | | |
|---|------------------|--|-------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 03/16/2017 | Routine/Periodic | Tony Morales | Yes | No | 6/19/2017 | iTM1707540490 |
| Violations | | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. PJ. POWER OFF. LOCATION SIGN NOT VISIBLE | | | | |

ATLANTIC STATE No.001

J-2-17S-29E

30-015-02858-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--------------------|------------------|--------------|------------|---------------------------------|------------------------------|----------------|
| 03/16/2017 | Routine/Periodic | Tony Morales | Yes | No | 6/19/2017 | iTM1707541187 |

Violations

General Housekeeping (Rule 114)

Comments on Inspection: OK. All Equipment and Location in Good Shape. PJ. TANK BATTERY NO SECONDARY IMPERMEABLE CONTAINMENT-BERM. NO WINDSOCK / PLACARD. OLD TANK / STAIRWELL OTHER DEBRIS 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.