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.071			G-10-19S-28E	30-015-02203-00-0	00
Inspection				*Significant	Corrective	
Date	Type Inspection	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
08/16/2016	Routine/Periodic	Gilbert Cordero	Yes	No	11/19/2016	iGC1622927504
Comments o	n Inspection: Well S	ign (Rule 19.15.16.8). OPERA	TOR (SDX) IS NOT CORRECT.	POWER OFF TO PJ	

EAST MILI Inspection	LMAN UNIT No	.147		E-14-19S-28E *Significant	30-015-02249-00-0 Corrective	0
Date	Type Inspection	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
08/16/2016	Routine/Periodi	e Gilbert Cordero	Yes	No	11/19/2016	iGC1622949331
Comments of	on Inspection: W	ell Sign (Rule 19.15.16.8). OPER/	ATOR (SDX) IS NOT CORRECT		

EAST MILI	LMAN UNIT No.001			A-15-19S-28E	30-015-02256-00-0)0
Inspection				*Significant	Corrective	
Date	Type Inspection	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
08/16/2016	Routine/Periodic	Gilbert Cordero	Yes	No	11/19/2016	iGC1622949650
Comments of	n Inspection: Well Sign (Rule	19.15.16.8). OPER	ATOR (SD)	X) 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 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: Well Sign (Rule	Inspector Gilbert Cordero e 19.15.16.8). OPE	Violation? Yes RATOR (SD	G-22-19S-28E Significant Non-Compliance? No X) IS NOT CORREC	30-015-02289-00- Согrective Action Due By: 11/19/2016 Г	00 Inspection No. iGC1622931069
EAST MILLMAN UNIT No.167 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: No Well Sign (1	Inspector Gilbert Cordero Rule 19.15.16.8).	Violation? Yes	A-22-19S-28E _*Significant Non:Compliance? No	30-015-02291-00- Corrective Action Due By: 11/19/2016	00 Inspection No. iGC1622945835
STATE 648 AC 811 No.214 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: Well Sign (Rule	Inspector Gilbert Cordero 2 19.15.16.8). OPER.	Violation? Yes ATOR (SDX	G-10-19S-28E *Significant Non-Compliance? No () IS NOT CORRECT	30-015-10857-00- Corrective Action Due By: 11/19/2016	00 Inspection No. iGC1622928154
FEATHERSTONE WELCH No.002 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: Well Sign (Rule	Inspector Gilbert Cordero 19.15.16.8). OPEI	Violation? Yes RATOR (SD	E-22-19S-28E *Significant Non-Compliance? No X) IS NOT CORRECT	30-015-22921-00- Согтесtive Action Due By: 11/19/2016 Г	00 Inspection No. iGC1622930213
EAST MILLMAN UNIT No.196 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: Well Sign (Rule	Inspector Gilbert Cordero 19.15.16.8). OPERA	Violation? Yes ATOR (SDX	L-14-19S-28E *Significant Non-Compliance? No	30-015-27302-00- Corrective Action Due By: 11/19/2016	00 Inspection No. iGC1622949119
EAST MILLMAN UNIT No.199 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: Well Sign (Rule	Inspector Gilbert Cordero 19.15.16.8). OPER/	Violation? Yes ATOR (SDX	E-14-19S-28E *Significant Non-Compliance? No) IS NOT CORRECT	30-015-27304-00- Corrective Action Due By: 11/19/2016	00 Inspection No. iGC1622949526
	Inspector Gilbert Cordero 19.15.16.8). OPEF SHOWS PRODUCT		B-22-19S-28E *Significant Non-Compliance? No X) IS NOT CORRECT	30-015-27348-00-0 Corrective Action Due By: 11/19/2016 T. NO FLOW LIN	Inspection No. iGC1622946315
EAST MILLMAN UNIT No.208 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: Well Sign (Rule	Inspector Gilbert Cordero 19.15.16.8). OPER	Violation? Yes ATOR (SD)	H-22-19S-28E *Significant Non-Compliance? No X) IS NOT CORRECT	30-015-27467-00-(Corrective Action Due By: 11/19/2016	00 Inspection No. iGC1622931224
EAST MILLMAN UNIT No.210 Inspection Date Type Inspection 08/16/2016 Routine/Periodic Comments on Inspection: No Well Sign (R	Inspector Gilbert Cordero Jule 19.15.16.8).	Violation? Yes	D-23-19S-28E *Significant Non-Compliance? No	30-015-27481-00-0 Corrective Action Due By: 11/19/2016)0 Inspection No. iGC1622932312

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Inspection Date 08/16/2016	LMAN UNIT No.224 Type Inspection Routine/Periodic on Inspection: No Well Sign (1	Inspector Gilbert Cordero Rule 19.15.16.8).	Violation? Yes	G-22-19S-28E Significant Non-Compliance? No	30-015-27725-00-0 Corrective Action Due By: 11/19/2016	0 Inspection No. iGC1622930860
Inspection Date 08/16/2016	MAN POOL UNIT No.014 Type Inspection Routine/Periodic In Inspection: No Well Sign (I	Inspector Gilbert Cordero Rule 19.15.16.8).	Violation? Yes	F-13 <u>-19</u> S-28E *Significant <u>Non</u> :Compliance? No	30-015-31678-00-0 Corrective Action Due By: 11/19/2016	0 Inspection No. iGC1622942023
EAST MILLMAN POOL UNIT No.014Q Inspection Inspector Date Type Inspection Inspector 08/16/2016 Routine/Periodic Gilbert Cordero Comments on Inspection: No Well Sign (Rule 19.15.16.8).			Violation? Yes	N-13-19S-28E *Significant Non-Compliance? No	30-015-33543-00-0 Corrective Action Due By: 11/19/2016	0 Inspection No. iGC1622942855

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, Compliance Off, cere 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.