



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division

Response Required – Deadline Enclosed

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

15-Jun-11

EOR OPERATING COMPANY

One Riverway SUITE 610
Houston 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.

INSPECTION DETAIL SECTION

| MILNESAND UNIT No.124 | | | | K-7-8S-35E | 30-041-00031-00-00 | | |
|---|------------------|--|------------|------------------------------|---------------------------|----------------|--|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | |
| 06/08/2011 | Routine/Periodic | Maxey Brown | Yes | No | 9/11/2011 | iMGB1115939330 | |
| Violations | | | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | | | |
| Comments on Inspection: | | NO WELL SIGN RULE 19 15.16.8 NEED TO INSTALL WELL SIGN VALVE ON TBG HAS BEEN REPAIRED WELL IS T/A'D. BUT EXPIRED THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB | | | | | |

| MILNESAND UNIT No.036 | | | | N-18-8S-35E | 30-041-00087-00-00 | | |
|---|------------------|--|------------|------------------------------|---------------------------|----------------|--|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | |
| 06/08/2011 | Routine/Periodic | Maxey Brown | Yes | No | 9/11/2011 | iMGB1115946472 | |
| Violations | | | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | | | |
| Comments on Inspection: | | NO Well Sign (Rule 19 15 16.8. NEED TO INSTALL WELL SIGN. THIS IS 1ST LETTER OF NON-COMPLIANCE MGB.. | | | | | |

MILNESAND UNIT No.186

G-18-8S-35E

30-041-10194-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | * Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--------------------|------------------|-------------|------------|----------------------------------|------------------------------|----------------|
| 06/08/2011 | Routine/Periodic | Maxey Brown | Yes | No | 9/11/2011 | iMGB1115942827 |

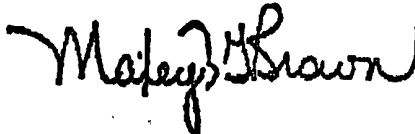
Violations

Absent Well Identification Signs (Rule 103)

Comments on Inspection: WELL SIGN RULE 19 15 16 8. NEED TO REPLACE WELL SIGN. UNABLE TO READ PUMPING UNIT IS RUNNING. SURPLUS P. UNIT ON WESTSIDE OF LOCATION. THIS IS 1ST LETTER OF NON-COMPLIANCE MGB.

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. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

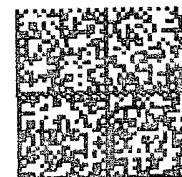


COMPLIANCE OFFICER

Hobbs 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

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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| HASLER | 015H14150977 | US POSTAGE |
| | \$0.44 | |
| | 06/16/11 | |
| | Mailed From 88240 | |

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ONE RIVERWAY SUITE 610
HOUSTON TX 77056