



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

02-Nov-11

HOBBS OCD

DRACO ENERGY, INCORPORATED

PO BOX 11404 500 N BIG SPRING, STE 201
MIDLAND TX 79701-

NOV 01 2011

RECEIVED

LETTER OF VIOLATION - Inactive Well(s)

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 201 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 203, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 202, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

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

IDLE WELL INSPECTION DETAIL SECTION

| | | | |
|----------------------------|--|---|--------------------------------------|
| MARALO 16 STATE 001 | D-16-26S-36E | 30-025-26546-00-00 | Inspection No. iMAW1130625792 |
| Inspection Date: | 11/2/2011 7:09:50 AM | Corrective Action Due by: 12/14/2011 | |
| Type Inspection | Inspector | Violation? | *Significant Non-Compliance? |
| Routine/Periodic | Mark Whitaker | Yes | No |
| Comments on Inspection: | Idle Well (Rule 19.15.25.8). No production reported in over 348 months. Expired T/A status. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON. 1st notice. | | |
| MARALO 16 STATE 002 | E-16-26S-36E | 30-025-26644-00-00 | Inspection No. iMAW1130626164 |
| Inspection Date: | 11/2/2011 7:16:02 AM | Corrective Action Due by: 12/14/2011 | |
| Type Inspection | Inspector | Violation? | *Significant Non-Compliance? |
| Routine/Periodic | Mark Whitaker | Yes | No |
| Comments on Inspection: | Idle Well (Rule 19.15 25.8). No production reported in over 18 months. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON 1st notice. | | |

NOV 02 2011

MARALO 16 STATE 004 F-16-26S-36E 30-025-26646-00-00 Inspection No. iMAW1130626363

Inspection Date: 11/2/2011 7:19:20 AM

Corrective Action Due by: 12/14/2011

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Mark Whitaker

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8). No production reported in over 105 months. Expired T/A status. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON. 1st notice.

MARALO 16 STATE 008 K-16-26S-36E 30-025-26752-00-00 Inspection No. iMAW1130626501

Inspection Date: 11/2/2011 7:21:38 AM

Corrective Action Due by: 12/14/2011

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Mark Whitaker

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8). No production reported in over 116 months. Expired T/A status. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON. 1st notice.

MARALO 16 STATE 009 L-16-26S-36E 30-025-26753-00-00 Inspection No. iMAW1130626629

Inspection Date: 11/2/2011 7:23:45 AM

Corrective Action Due by: 12/14/2011

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Mark Whitaker

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8). No production reported in over 19 months. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON. 1st notice.

MARALO 16 STATE 010 O-16-26S-36E 30-025-26805-00-00 Inspection No. iMAW1130627658

Inspection Date: 11/2/2011 7:40:55 AM

Corrective Action Due by: 12/14/2011

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Mark Whitaker

Yes

No

Comments on Inspection:

Idle Well (Rule 19.15.25.8). No production reported in over 19 months. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON. 1st notice.

MARALO 16 STATE 006Y M-16-26S-36E 30-025-26806-00-00 Inspection No. iMAW1130627519

Inspection Date: 11/2/2011 7:38:36 AM

Corrective Action Due by: 12/14/2011

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Mark Whitaker

Yes

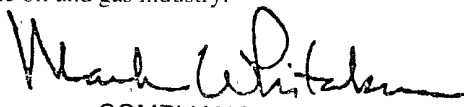
No

Comments on Inspection:

Idle Well (Rule 19.15.25.8). No production reported in over 20 months. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON. 1st notice.

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

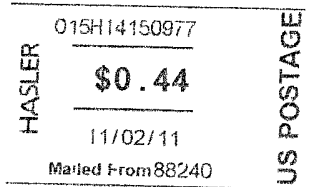
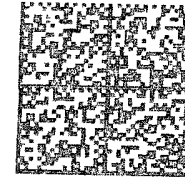
Sincerely,


COMPLIANCE OFFICER

Hobbs OCD District Office

* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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500 N. BIG SPRINGS
SUITE 201
MIDLAND, TX 79701