



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Jami Bailey
Division Director
Oil Conversation Division

Response Required – Deadline Enclosed

Oil & Gas Inspection Program

Following the Inspection of the Facility

14-Mar-12

HOBBS OCD

MAR 15 2012

RECEIVED

EVERQUEST ENERGY CORPORATION
10 DESTA DRIVE SUITE 300-E
MIDLAND TX 79705

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

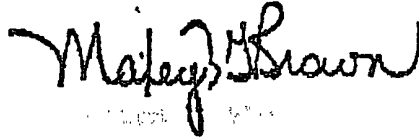
Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

MOBIL STATE COM No.001				P-30-16S-36E	30-025-23762-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/14/2012	Routine/Periodic	Maxey Brown	Yes	No	6/17/2012	iMGB1207435360
Violations						
Absent Well Identification Signs (Rule 103)						
Surface Damage/Restoration						
Surface Leaks/Spills						
General Housekeeping (Rule 114)						
Comments on Inspection: WELL SIGN RULE 19 15 16 8. NEED TO INSTALL WELL SIGN. RULE 19 15 29 8. NEED TO CORRECT LEAKING LOADLINE VALVE AND REMOVE CONTAMINATED SOIL. NEED TO REMOVE THREAD PROTECTORS FROM PASTURE AREA NORTH OF WELL SURPLUS OR JUNK TANK AND MISC CONNECTIONS NEED TO BE REMOVED. THIS IS 1ST LETTER OF NON-COMPLIANCE						

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,

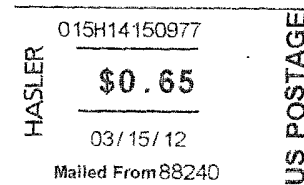
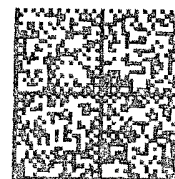


Hobbs OCD District Office

COMPLIANCE OFFICER

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**



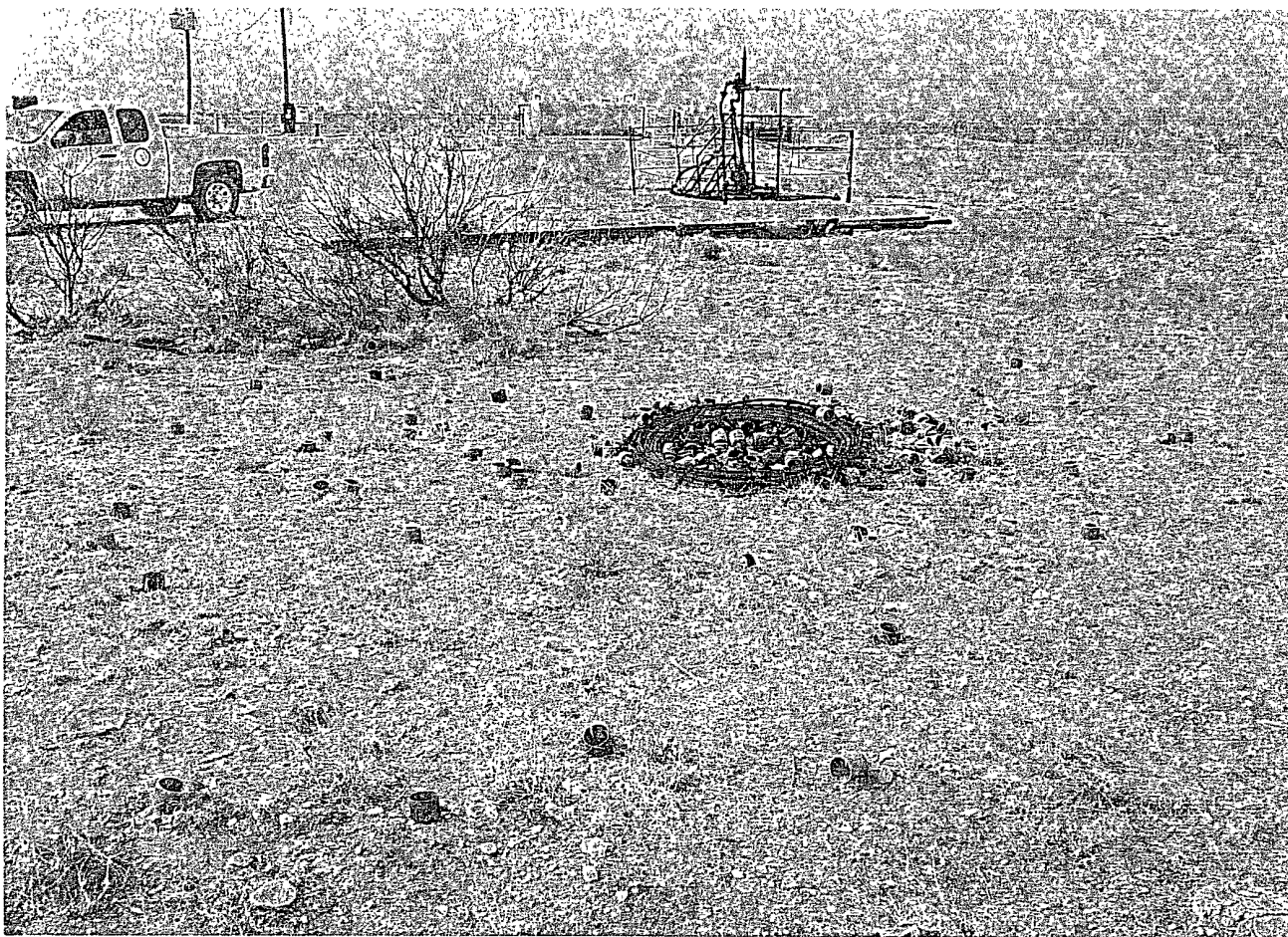
**EVERQUEST ENERGY CORPORATION
10 DESTA DRIVE SUITE 300-E
MIDLAND TX 79705**

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WELL SIGN →



3/14/2012



OUTSIDE OF ANCHORS
NORTHEAST OF WELL

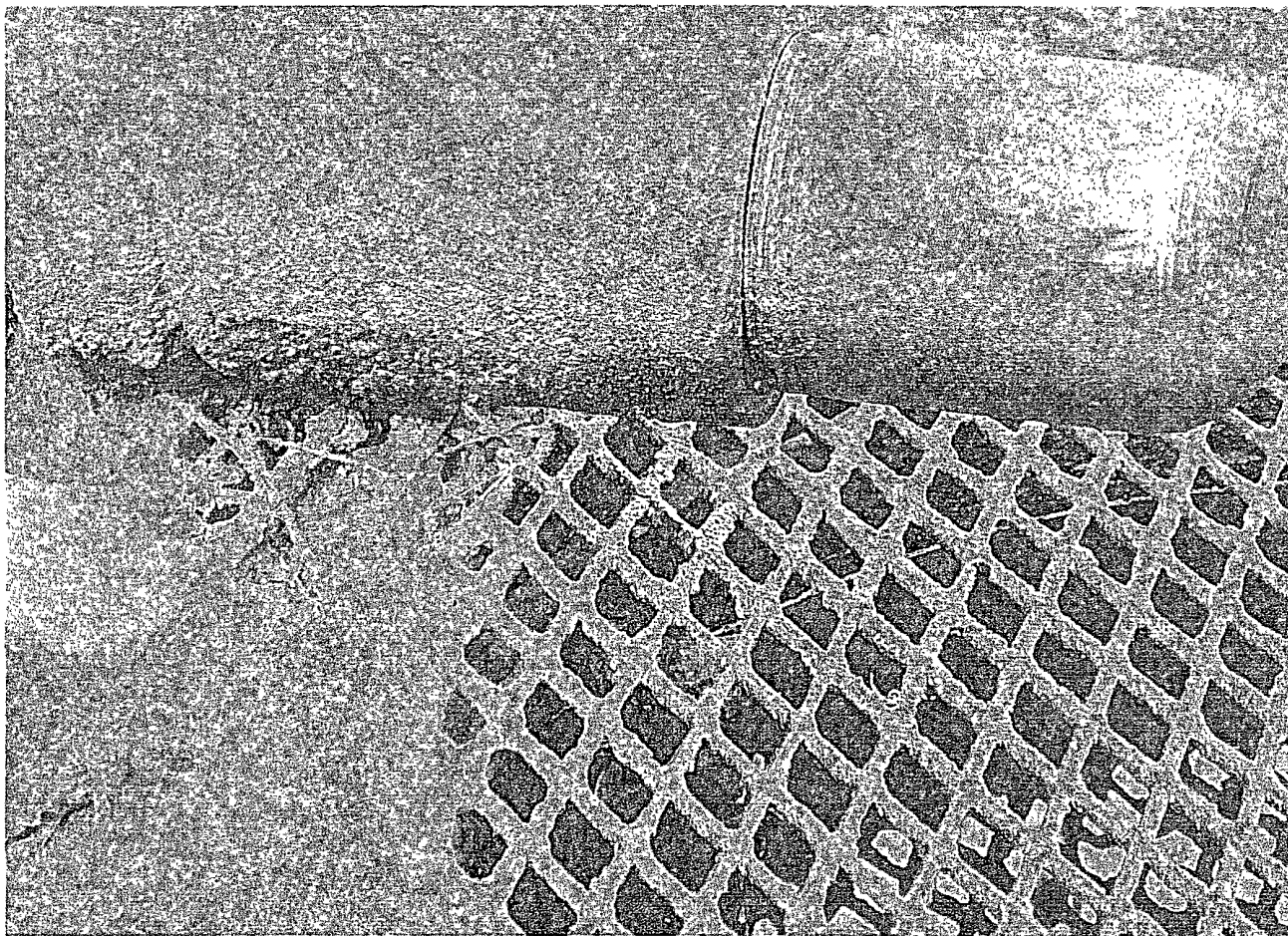
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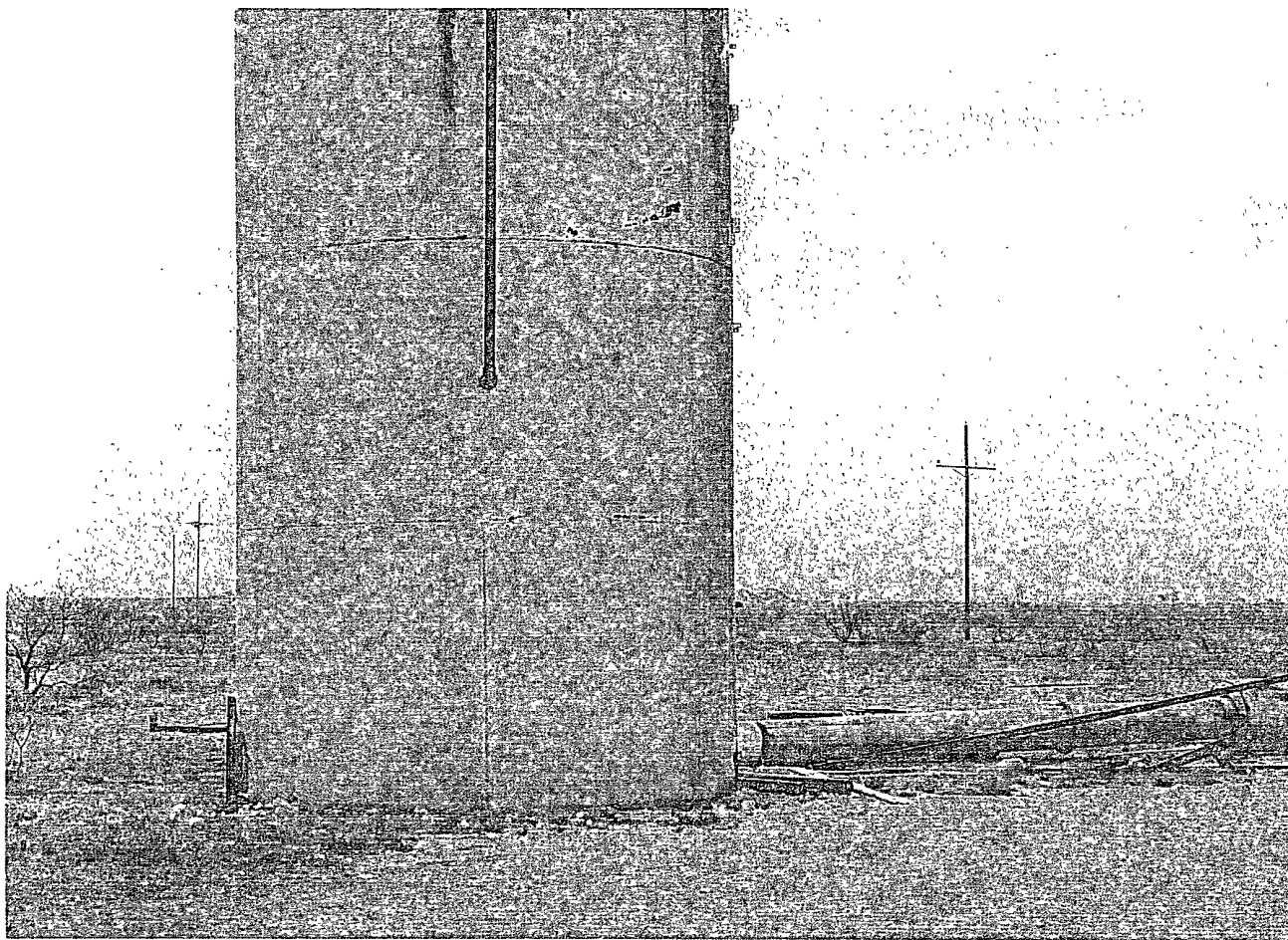
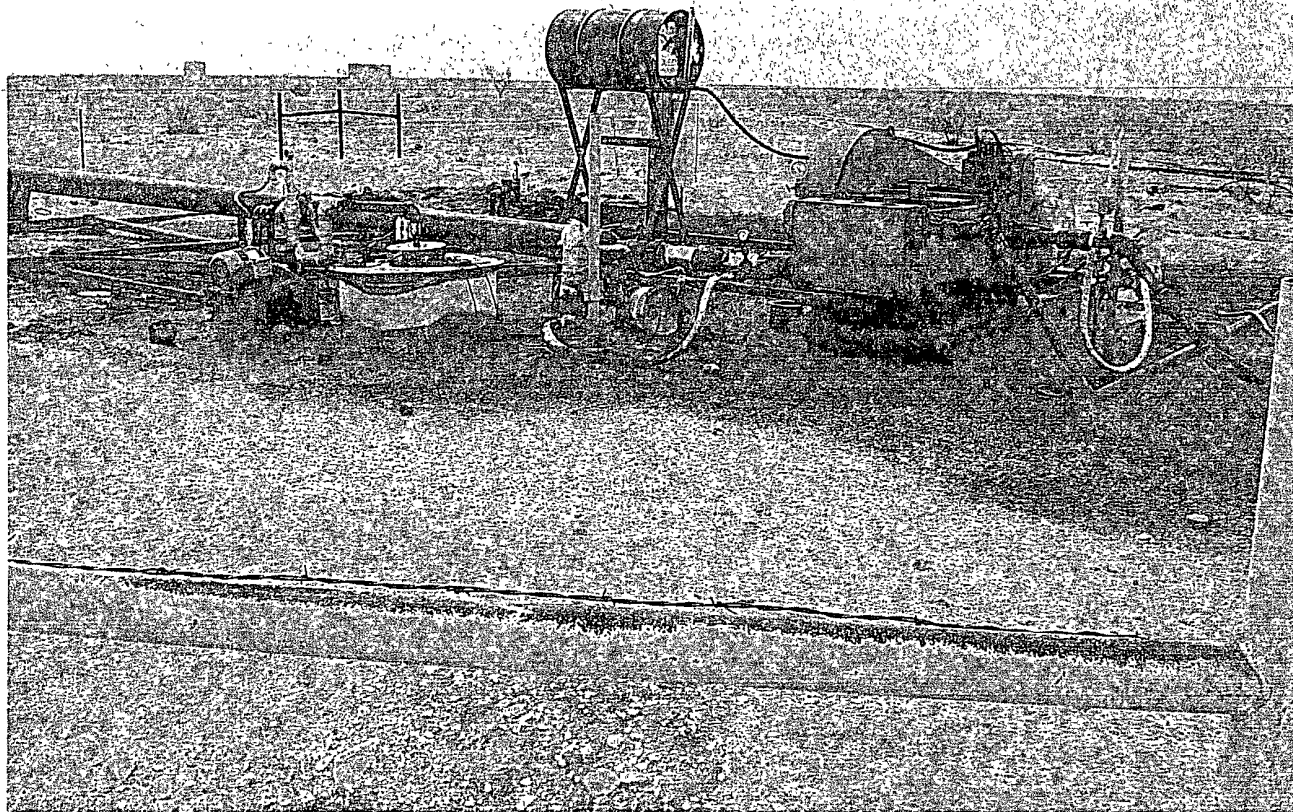
LOADLINE VALVE LEAKING



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SURPLUS EQUIPMENT