

State of New Mexico  
Energy, Minerals and Natural Resources Department

**Susana Martinez**

Governor

**John H. Bemis**  
Cabinet Secretary

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey**  
Division Director  
Oil Conservation Division



**HOBBS OCD**

**MAR 22 2012**

**RECEIVED**

March 22, 2012

Providence Energy Services, Inc. dba Kelton Operating Corp  
PO Box 928  
Andrews, Texas 79714-0928

**RESPONSE REQUIRED BY APRIL 13, 2012**

Subject: Skelly Penrose B Unit and State 731 Lease  
Expired T/A Status, T/A'd wells, and Active Wells with no production reported.

Dear Operator:

According to Oil Conversation Division (OCD) records, you are the operator of record of 18 wells with an expired T/A status, 2 wells that have been T/A'd in excess of 19 years, 2 wells showing active status which have not produced in over 15 months (44 and 135), and 1 injection well which you are reporting injection of that is incapable of injecting. (Please note the attached list.)

Your company was issued a letter on December 1, 2010 requesting you bring these wells into compliance. No action has been taken.

OCD rules require wells that have been inactive for more than one year plus ninety days to be plugged and abandoned, placed on approved temporary abandonment status, or returned to active status (19.15.25.8 NMAC). Please return the well(s) to compliance as soon as possible. If you are taking action to return the well(s) to compliance in the immediate future, please contact Daniel Sanchez, OCD Compliance & Enforcement Manager, at 505-476-3493 or [Daniel.sanchez@state.nm.us](mailto:Daniel.sanchez@state.nm.us). You may be able to avoid enforcement action.

If the OCD does not hear from you by April 13, 2012, the OCD will file applications for hearing to seek plugging orders for state or fee wells out of compliance with 19.15.25.8 NMAC that have been inactive for excessive periods of time. The OCD will seek an order requiring the operator to plug the well by a certain date, and authorizing the OCD to plug the well and forfeit any available financial assurance if the operator fails to comply.

If the well is not covered by a financial assurance or if the financial assurance is not sufficient to cover the OCD's plugging costs, the OCD may bring suit against the operator for indemnification. See NMSA 1978, Section 70-2-14(E).

Please contact me if you have any questions concerning this issue.

A handwritten signature in black ink, appearing to read "EL Gonzalez", is written over the text "Please contact me if you have any questions concerning this issue."

EL Gonzalez  
District I Supervisor, 575-393-6161 (114)

CC: OCD Santa Fe

**MAR 22 2012**

| API #        | LEASE                 | WELL | UL-SEC-T-R               | MONTHS<br>INACTIVE | WELL<br>STATUS |
|--------------|-----------------------|------|--------------------------|--------------------|----------------|
| 30-025-10550 | Skelly Penrose B Unit | 1    | UL-B, Sec 32, T22S, R37E | 231                | E              |
| 30-025-10546 | Skelly Penrose B Unit | 3    | UL-D, Sec 32, T22S, R37E | 231                | E              |
| 30-025-10543 | Skelly Penrose B Unit | 5    | UL-F, Sec 32, T22S, R37E | 231                | E              |
| 30-025-10542 | Skelly Penrose B Unit | 6    | UL-G, Sec 32, T22S, R37E | 286                | E              |
| 30-025-10538 | Skelly Penrose B Unit | 8    | UL-J, Sec 32, T22S, R37E | 231                | E              |
| 30-025-10535 | Skelly Penrose B Unit | 10   | UL-L, Sec 32, T22S, R37E | 231                | E              |
| 30-025-10539 | Skelly Penrose B Unit | 14   | UL-N, Sec 32, T22S, R37E | 231                | E              |
| 30-025-10537 | Skelly Penrose B Unit | 16   | UL-P, Sec 32, T22S, R37E | 231                | E              |
| 30-025-10633 | Skelly Penrose B Unit | 21   | UL-D, Sec 5, T23S, R37E  | 231                | T              |
| 30-025-10648 | Skelly Penrose B Unit | 22   | UL-A, Sec 6, T23S, R37E  | 284                | E              |
| 30-025-10652 | Skelly Penrose B Unit | 24   | UL-G, Sec 6, T23S, R37E  | 407                | E              |
| 30-025-10650 | Skelly Penrose B Unit | 25   | UL-H, Sec 6, T23S, R37E  | 231                | E              |
| 30-025-10656 | Skelly Penrose B Unit | 36   | UL-P, Sec 6, T23S, R37E  | 229                | E              |
| 30-025-10685 | Skelly Penrose B Unit | 42   | UL-D, Sec 9, T23S, R37E  | 231                | T              |
| 30-025-10668 | Skelly Penrose B Unit | 45   | UL-D, Sec 8, T23S, T37E  | **                 | E              |
| 30-025-10669 | Skelly Penrose B Unit | 48   | UL-E, Sec 8, T23S, R37E  | 425                | E              |
| 30-025-10671 | Skelly Penrose B Unit | 49   | UL-G, Sec 8, T23S, R37E  | 285                | E              |
| 30-025-10687 | Skelly Penrose B Unit | 54   | UL-L, Sec 9, T23S, R37E  | 231                | E              |
| 30-025-10673 | Skelly Penrose B Unit | 56   | UL-L, Sec 8, T23S, R37E  | 250                | E              |
| 30-025-10690 | Skelly Penrose B Unit | 60   | UL-M, Sec 9, T23S, R37E  | 211                | E              |
| 30-025-10689 | Skelly Penrose B Unit | 61   | UL-N, Sec 9, T23S, R37E  | 303                | E              |
|              |                       |      |                          |                    |                |
| 30-025-27648 | State 731             | 3    | UL-H, Sec 26, T22S, R35E | 135                | A              |
| 30-025-27647 | State 731             | 4    | UL-M, Sec 25, T22S, R35E | 44                 | A              |

\*\*NOTE: Operator falsely reporting injection on this well. Not capable of injection. See attached picture.



# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

Jim Noel  
Cabinet Secretary  
Karen W. Garcia  
Deputy Cabinet Secretary

Mark Fesmire  
Division Director  
Oil Conservation Division



December 1, 2010

Providence Energy Services, Inc. dba Kelton Operating Corp  
PO Box 928  
Andrews, Texas 79714

RE: Skelly Penrose B Unit - Expired T/A'd Wells

Gentlemen:

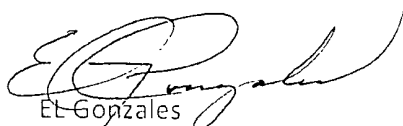
A recent review of Oil Conservation Division well files finds that the T/A status of the well on the attached list have expired

The subject wells should be returned to injection/production, tested for T/A status, or plugged & abandoned.

Please contact the Hobbs district office prior to December 31, 2010 to schedule testing.

If you have any questions on this matter, please call the Hobbs office (575)393-6161 and speak to EL Gonzales at ext. 114.

Respectfully  
OIL CONSERVATION DIVISION

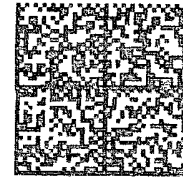


EL Gonzales  
District I Staff Manager

CC: OCD Hobbs  
OCD Santa Fe



EMNRD  
OIL CONSERVATION DIVISION  
1625 N FRENCH DRIVE  
HOBBS NM 88240



|        |                   |            |
|--------|-------------------|------------|
| HASLER | 015H14150977      | US POSTAGE |
|        | <b>\$0.45</b>     |            |
|        | 03/22/12          |            |
|        | Mailed From 88240 |            |

PROVIDENCE ENERGY SERVICES  
PO BOX 928  
ANDREWS, TEXAS 79714-0928