

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

MAY 10 2012

RECEIVED

10-May-12

SHERIDAN PRODUCTION COMPANY, LLC
9 GREENWAY PLAZA SUITE 1300
HOUSTON TX 77046

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

| | | | | | | |
|---|-----------------------|-------------|------------|--------------------|---------------------------|----------------|
| NORTH VACUUM ABO NORTH UNIT No.001 | | | | F-1-17S-34E | 30-025-24487-00-00 | |
| Inspection | | | | Significant | Corrective | |
| Date | Type Inspection | Inspector | Violation? | Non-Compliance? | Action Due By: | Inspection No. |
| 05/08/2012 | MIT Witnessed - Other | Maxey Brown | Yes | No | 8/11/2012 | |
| iMGB1212935933 | | | | | | |
| Violations | | | | | | |
| 011 MIT Failure | | | | | | |
| Comments on Inspection: RULE 19.15.26.11 FAILED MIT LOST HO# DURING TEST THIS IS 2ND LETTER OF NON-COMPLIANCE MGB | | | | | | |

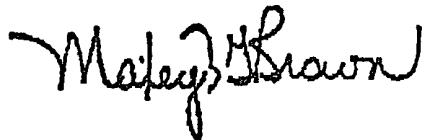
| | | | | | | |
|--|-----------------------|-------------|------------|--------------------|---------------------------|----------------|
| NORTH VACUUM ABO NORTH UNIT No.002 | | | | H-1-17S-34E | 30-025-24645-00-00 | |
| Inspection | | | | Significant | Corrective | |
| Date | Type Inspection | Inspector | Violation? | Non-Compliance? | Action Due By: | Inspection No. |
| 05/08/2012 | MIT Witnessed - Other | Maxey Brown | Yes | No | 8/11/2012 | |
| iMGB1212936057 | | | | | | |
| Violations | | | | | | |
| 011 MIT Failure | | | | | | |
| Comments on Inspection: RULE 19.15.26.11 FAILED MIT LOSS OF PRESSURE AND FLOW OF WATER ON SURFACE DURING TEST THIS IS 2ND 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.

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May 10, 2012
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Sincerely,

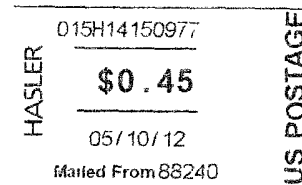
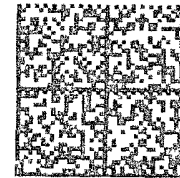


COMPLIANCE OFFICER

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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