

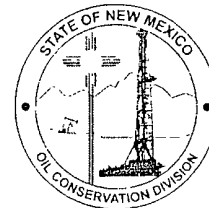
State of New Mexico  
Energy, Minerals and Natural Resources Department

**Susana Martinez**  
Governor

John H. Bemis  
Cabinet Secretary

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

Jami Bailey  
Division Director  
Oil Conservation Division



10-May-12

**HOBBS OCD**

**MAY 10 2012**

**RECEIVED**

**COBALT OPERATING, LLC**  
3001 N BIG SPRING SUITE 207  
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**

<b>WARREN No.002</b>				H-8-17S-37E	30-025-26953-00-00	
Inspection				Significant	Corrective	
Date	Type Inspection	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
05/09/2012	Routine/Periodic	Maxey Brown	Yes	No	6/12/2012	
iMGB1213057367						
Violations						
01 Absent Well Identification Signs (Rule 103)						
Comments on Inspection: RULE 19 15 16 8 REPLACE SIGN COMPANY STICKER IS PEELING OFF.						
UNACCEPTABLE 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,

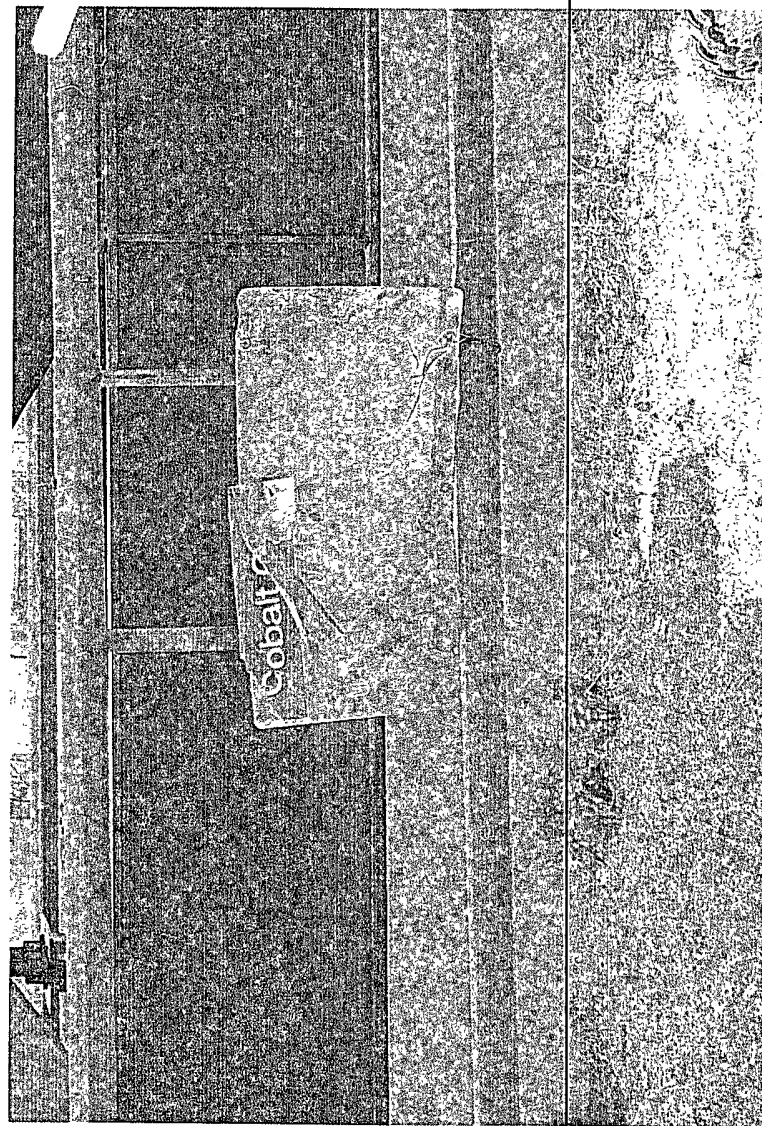
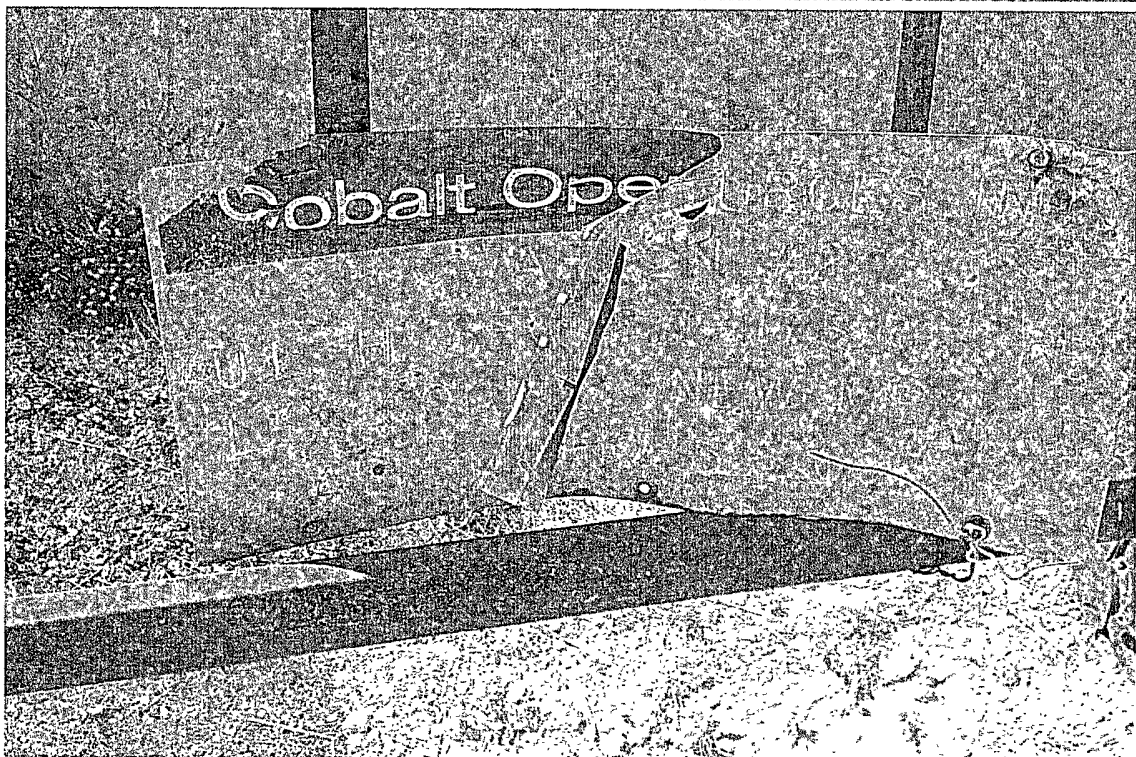
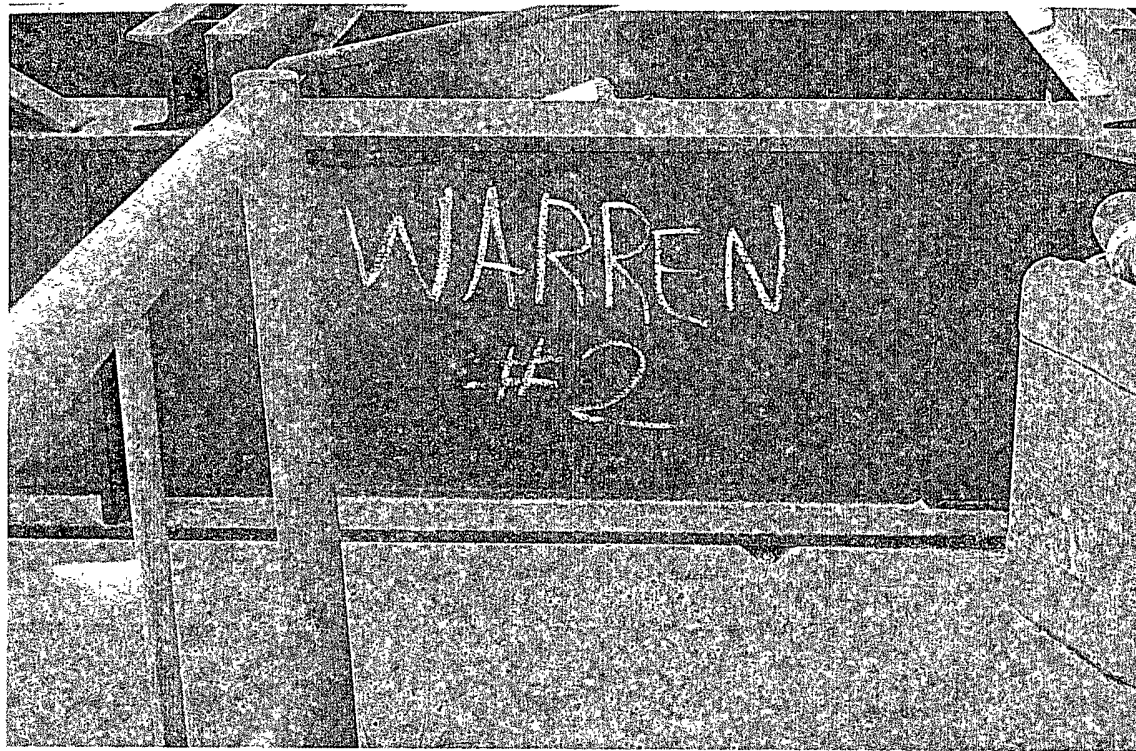
A handwritten signature in black ink that reads "Maxey Brown".

**COMPLIANCE OFFICER**

Hobbs OCD District Office

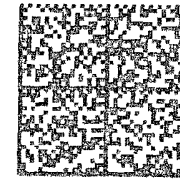
Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.  
Significant Non-Compliance events are reported directly to the EPA, Region VI Dallas, Texas

**MAY 10 2012**



5/9/2012

EMNRD  
OIL CONSERVATION DIVISION  
1625 N FRENCH DRIVE  
HOBBS NM 88240



HASLER	015H14150977	US POSTAGE
	<b>\$0.45</b>	
	05/10/12	
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COBALT OPERATING, LLC  
3001 N. BIG SPRING SUITE 207  
MIDLAND TX 79705