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 Bailev Division Director Oil Conservation Division



Response Required - Deadline Enclosed

Field Instruction "Preverving the Integrity of Our Envaronment"

23-May-12

XOG OPERATING LLC **1801 W TEXAS** MIDLAND, TX 79701

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

STATE WE K No.001

Inspection Date Type Inspection 05/23/2012

Routine/Periodic Violations

Inspector Mark Whitaker Violation? Yes

*Significant Non-Compliance? No

F-15-21S-35E

30-025-22004-00-00 Corrective Action Due By: 8/26/2012

Inspection No. iMAW1214440233

1i RP

Idle well (Rule 201)

Comments on Inspection:

T/A status expired. NEED TO RETURN WELL TO PRODUCTION OR PLUG AND ABANDON 1st notice.

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 Divison 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,

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



015H14150977 \$0.45 05/23/12 Mailed From 88240

XOG OPERATING LLC 1801 W TEXAS MIDLAND, TX 79701