



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

SUSANA MARTINEZ

Governor

John H. Bemis

Cabinet Secretary

Jami Bailey

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

28-Sep-12

LRE OPERATING, LLC

1111 BAGBY, STE. 4600

HOUSTON TX 77002

HOBBS OCD

OCT 02 2012

LETTER OF VIOLATION - Inspection

Dear Operator:

RECEIVED

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

DAISY AFS STATE No.001

G-3-16S-35E

30-025-30769-00-00

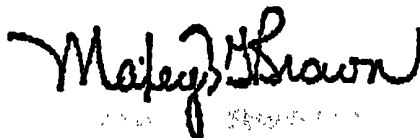
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/28/2012	Routine/Periodic	Maxey Brown	Yes	No	1/1/2013	iMGB1227245587
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: RULE 19.15.16.8. NEED TO INSTALL WELL SIGN THAT MEETS OCD GUIDELINES. THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB.

OCT 02 2012

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.

Sincerely,

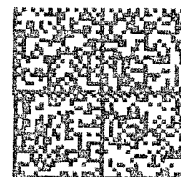


COMPLIANCE OFFICER

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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LRE OPERATING, LLC
1111 BAGBY, STE. 4600
HOUSTON TX 77002