

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



January 29, 2013
Everquest Energy Corporation
10 Desta Drive Suite 300-E
Midland, Texas 79705

RESPONSE REQUIRED BY FEBRUARY 15, 2013

Subject: ONEILL STATE #1, 30-041-10177, L-16-8S-36
Expired T/A Status, Loss of Injection Permit, C-141 for Remediation of Contaminated Soils from previous spills and leaks.

Dear Operator:

According to Oil Conservation Division (OCD) records, you are the operator of record of ONEILL STATE #1 with an expired T/A status. Injection Permit has expired due to lack of reported injection.

Your company was issued a letter on November 11, 2011 requesting you bring this well into compliance. No action has been taken.

OCD rules require well(s) that have been inactive for more than one year plus ninety days to be plugged and abandoned. 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. You may be able to avoid enforcement action.

Submit to District 1, C-103 to Plug and Abandon for approval (19.15.25.8 NMAC). Also submit C-141 to Geoffrey Leking, District 1 Environmental Specialist, for approval prior to commencing cleanup.

If the OCD District 1 Supervisor does not hear from you by February 15, 2013 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).

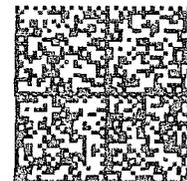
Please contact me if you have any questions concerning this issue.

A handwritten signature in black ink, appearing to read "EL Gonzales", is written over a horizontal line.

EL Gonzales
District 1 Supervisor, 575-393-6161 (102)

CC: OCD Santa Fe

**EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240**



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