

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



***Response Required - Deadline**

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

**HOBBS OCD
AUG 20 2013
RECEIVED**

21-Aug-13

QUANTUM RESOURCES MGMT, LLC.
ATTN: REGULATORY DEPT.
5 HOUSTON CENTER, 1401 MCKINNEY ST.
SUITE 2400
HOUSTON TX 77010

LETTER OF VIOLATION -

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

| CONE JALMAT YATES POOL UNIT No.108 | | | | O-13-22S-35E | 30-025-08608-00- | |
|---|---------------------|---------------|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 08/21/2013 | File and Compliance | Sylvia Dickey | Yes | No | 11/21/2013 | |
| iSAD1323348152 | | | | | | |

Comments on Inspection: "CONDITIONS OF APPROVAL" NOTICE OF INTENT APPROVED 8/21/2013
OPERATOR MUST REPAIR OR PLUG AND ABANDON WELL BY NOVEMBER 21, 2013
*** OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11 AND 19.15.26.10***

| CONE JALMAT YATES POOL UNIT No.102 | | | | C-24-22S-35E | 30-025-08647-00- | |
|---|---------------------|---------------|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 08/21/2013 | File and Compliance | Sylvia Dickey | Yes | No | 11/21/2013 | |
| iSAD1323348345 | | | | | | |

Comments on Inspection: "CONDITIONS OF APPROVAL" NOTICE OF INTENT APPROVED 8/21/2013
OPERATOR MUST REPAIR OR PLUG AND ABANDON WELL BY NOVEMBER 21, 2013
OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11 AND 19.15.26.10

AUG 21 2013

August 21, 2013

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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.

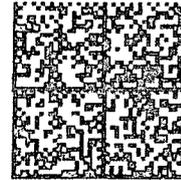
Sincerely,



Hobbs OCD District Office
COMPLIANCE OFFICER

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



HASLER 015H14150977
\$0.46
08/21/13
Mailed From 88240
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QUANTUM RESOURECES MGMT, LLC.
ATTN: REGULATORY DEPT.
1401 MCKINNEY STREET
STE. 2400
HOUSTON, TX 77010