

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



Response Required - Deadline Enclosed

Field Inspection Program
"Preserving the Integrity of Our Environment"

08-Oct-14

COBALT OPERATING, LLC
3001 N. BIG SPRING SUITE 207
MIDLAND TX 79705

CERTIFIED MAIL: 7014 1200 0002 1826 6134

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

| ANGEL No.003 | | | | F-5-12S-38E | 30-025-07133-00-00 |
|---|----------------------------|-------------|------------|------------------------------|--|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: Inspection No. |
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 iMGB1428146847 |
| Comments on Inspection: RULE 19.15.25.8. THIS WELL HAS EXPIRED T/A STATUS. NO PROD REPORTED IN 284 MONTHS. RETURN WELL TO PRODUCING OR PA WELL. NO ADDITIONAL TA STATUS WILL BE GRANTED. THIS IS FINAL LETTER OF NON-COMPLIANCE. | | | | | |
| ANGEL No.001 | | | | K-5-12S-38E | 30-025-07135-00-00 |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: Inspection No. |
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 iMGB1428147469 |
| Comments on Inspection: RULE 19.15.25.8. THIS WELL HAS BEEN RE-ENTERED. NEED TO PROD OR P/A. THIS IS FINAL LETTER OF NON-COMPLIANCE. | | | | | |
| ANGEL No.002 | | | | N-5-12S-38E | 30-025-07136-00-00 |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: Inspection No. |
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 iMGB1428149732 |
| Comments on Inspection: RULE 19.15.25.8. NO PRODUCTION REPORTED IN 95 MONTHS. NEED TO PROD OR PA WELL. FINAL NOTICE OF NON-COMPLIANCE. | | | | | |

OCT 09 2014

STATE A No.001

H-5-24S-38E

30-025-21230-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--|----------------------------|-------------|------------|------------------------------|---------------------------|----------------|
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 | iMGB1428149946 |
| Comments on Inspection: RULE 19.15.25.8. 6 MONTH EXTENSION EXPIRED 10-16-2013. WELL MUST BE PA'D. NO PROD REPORTED IN 224 MONTHS. FINAL NOTICE OF NON-COMPLIANCE. | | | | | | |

STATE A No.002

C-5-24S-38E

30-025-21231-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--|----------------------------|-------------|------------|------------------------------|---------------------------|----------------|
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 | iMGB1428150242 |
| Comments on Inspection: RULE 19.15.25.8. 6 MONTH EXTENSION EXPIRED 10/15/2013. NEED TO PA WELL. FINAL NOTICE OF NON-COMPLIANCE. | | | | | | |

STATE 32 No.001

N-32-23S-38E

30-025-21476-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--|----------------------------|-------------|------------|------------------------------|---------------------------|----------------|
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 | iMGB1428150473 |
| Comments on Inspection: RULE 19.15.26.12. NO INJECTION REPORTED IN 17 MONTHS. AUTHORITY TO INJECT IS LOST. SUSPEND ALL INJECTIONS AT THIS TIME. CONTACT PHILLIP GOETZE SANTA FE OCD 505-476-3466. RULE 19.15.26.11. NO C-103 SUBSEQUENT FOR WELL WORK ON OR ABOUT 5/7/2014 WAS NOT RECEIVED WHICH WAS TO INCLUDE A PRESSURE TEST CHART. WELL IS TO REMAIN SHUTIN UNTIL WITNESSED CHART TEST IS RAN. THIS IS FINAL NOTICE. | | | | | | |

WARREN No.001

G-8-17S-37E

30-025-26323-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--|----------------------------|-------------|------------|------------------------------|---------------------------|----------------|
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 | iMGB1428152185 |
| Comments on Inspection: RULE 19.15.25.10. WELL HAS BEEN PLUGGED AND ABANDONED GREATER THAN 12 MONTHS. NEED TO SUBMIT C-103 SUBSEQUENT FOR INSPECTION OF LOCATION. 1ST LETTER OF NON-COMPLIANCE. | | | | | | |

CONSOLIDATED STATE No.003

C-9-17S-37E

30-025-29711-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|----------------------------|-------------|------------|------------------------------|---------------------------|----------------|
| 10/08/2014 | File and Compliance Review | Maxey Brown | Yes | No | 10/22/2014 | iMGB1428152514 |
| Comments on Inspection: RULE 19.15.26.11. HAVE NOT RECEIVED C-103 SUBSEQUENT WITH PRESSURE CHART FOR WELL WORK. RULE 19.15.26.12. LAST INJECTION/PRODUCTION REPORTED WAS 34 MONTHS. HAVE NOT RECEIVED C- 104,105. WELL MUST BE SHUT IN PENDING REVIEW FROM SANTA FE. FINAL 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.

Sincerely,



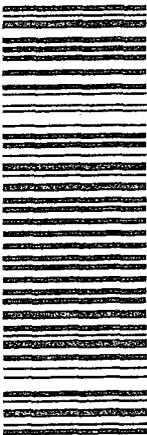
Hobbs OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

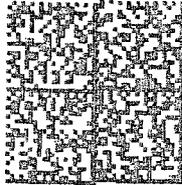
*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240

CERTIFIED MAIL™



7014 1200 0002 1826 6134
7014 1200 0002 1826 6134



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015H14150977
\$6.48
10/08/14
Mailed From 88240
US POSTAGE

| | |
|---|------------------|
| U.S. Postal Service™ | |
| CERTIFIED MAIL™ RECEIPT | |
| <i>(Domestic Mail Only; No Insurance Coverage Provided)</i> | |
| For delivery information, visit our website at www.usps.com | |
| OFFICIAL USE | |
| Postage \$ | Postmark Here |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees \$ | |
| Sent To COBALT OPERATING LLC | |
| Street, Apt. No., or PO Box No. 3001 N. BIG SPRING SUITE 207 | |
| City, State, ZIP+4 MIDLAND TX 79705 | |
| PS Form 3800, August 2006 See Reverse for Instructions | |

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS FOR MAIL DELIVERY

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**COBALT OPERATING, LLC
3001 N. BIG SPRING SUITE 207
MIDLAND TX 79705**

2. Article Number (Copy from service)

7014 1200 0002 1826 6134

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature Agent
 Addressee
X

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Certified Mail

- A mailing receipt
- A unique identifier
- A record of delivery

Important Remind

- Certified Mail is for
- NO INSURANCE on valuables, please
- For an additional delivery To obtain Receipt (PS Form fee. Endorse mail a duplicate return required.

- For an additional addressee's authentication endorsement "Re if a postmark on the post office receipt is not needed"

IMPORTANT: Save

PS Form 3800, August 2