

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



November 26, 2014

Lodestone Operating Inc
1605 US Highway 181
PMB #169
Portland, Texas 78374

Certified Mail No. 7014 1200 0002 1826 6158

RE: Shipp 10 No. 1 - API No. 30-025-30912

Rule 19.15.25.8 "Wells to be Properly Abandoned" and Rule 19.15.16.8 "Sign on Wells"

To Whom it May Concern

As operator of record of the subject well, Lodestone Operating Inc ("Lodestone") is out of compliance with division rule 19.15.25.8 NMAC, which requires the operator to return well to production or properly plug and abandon after a period of one year in which a well has been continuously inactive. No production has been reported on this well since May of 2007. In addition, no well sign was observed during a recent inspection and is therefore out of compliance with division rule 19.15.16.8 NMAC, which requires the operator to identify wells and related facilities the division regulates by a sign.

Immediate action is now required on your part to resolve these matters. Please contact Daniel Sanchez in Santa Fe at 505-476-3493 or daniel.sanchez@state.nm.us before December 12, 2014 to discuss this matter.

If Lodestone fails to contact the OCD by the time specified, the matter will be referred to our legal department and a compliance hearing will be scheduled. At hearing, the OCD will seek a compliance order against Lodestone, requiring compliance with OCD Rules and seeking addition sanctions.

Respectfully

A handwritten signature in black ink that reads "Maxey Brown". The signature is written in a cursive style.

Maxey Brown
District Supervisor, District I

Cc: Daniel Sanchez, Enforcement & Compliance Manager
Keith Herrmann, Assistant General Counsel

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LODESTONE OPERATING INC
 PMB #169
 AND TX 78374

See Reverse for Instructions

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- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

LODESTONE OPERATING, INC.
1605 US HIGHWAY 181
PMB #169
PORTLAND TX 78374

2. Article Number:
(Transfer from service label)

7014 1200 0002 1826 6158

PS Form 3811, February 2004

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 Addressee

B. Received by (Printed Name):

C. Date of Delivery:

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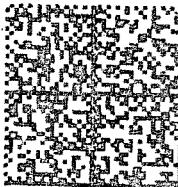
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PS Form 3800, August 2006 (Reverse) PSN 7530-02-000-9047

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240

LODESTONE OPERATING, INC.
1605 US HIGHWAY 181
PMB #169
PORTLAND TX 78374