

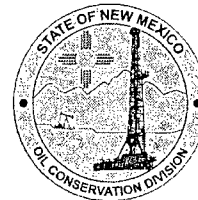
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

David Catanach, Director
Oil Conservation Division



Response Required - Deadline Enclosed

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

01-Apr-15

PALADIN ENERGY CORP
10290 MONROE DRIVE SUITE 301
DALLAS TX 75229

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

STATE BT C No.003				L-35-11S-33E	30-025-01017-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/31/2015	Routine/Periodic	Mark Whitaker	Yes	No	6/5/2015	iMAW1509048809
Violations						
Absent Well Identification Signs (Rule 103)						
Surface Leaks/Spills						
Comments on Inspection:		No well sign at wellhead (Rule 19.15.46.8). Spill has occurred at tank battery. NEED TO INSTALL WELL SIGN AT WELLHEAD. NEED TO FILE C141 TO REPORT SPILL, WITH REMEDIATION PLAN ATTACHED. FILE WITH TOMAS OBERDING IN THE SANTA FE OFFICE. SEE ATTACHED PHOTO.				

STATE BT D No.003				P-35-11S-33E	30-025-01021-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/31/2015	Routine/Periodic	Mark Whitaker	Yes	No	5/29/2015	iMAW1509049587
Comments on Inspection:		Leak at stuffing box. NEED TO FILE C141 TO REPORT SPILL WITH REMEDIATION PLAN ATTACHED. FILE WITH TOMAS OBERDING IN THE SANTA FE OFFICE. SEE ATTACHED PHOTO.				

APR 02 2015

STATE BT I No.001

D-2-12S-33E

30-025-01028-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/31/2015	Routine/Periodic	Mark Whitaker	Yes	No	5/8/2015	iMAW1509048450

Violations

Absent Well Identification Signs (Rule 103)

Comments on Inspection: No well sign (Rule 19.15.16.8). NEED TO INSTALL WELL SIGN.

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,

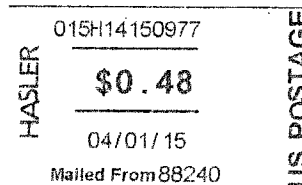
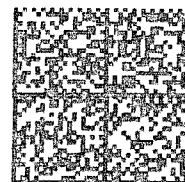
Mark Whitaker
Compliance Officer

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



PALADIN ENERGY CORP
10290 MONROE DRIVE
SUITE 301
DALLAS, TX 75229