

February 21, 2019

State of New Mexico
Stephanie Garcia Richard
Commissioner of Public Lands
P.O. Box 1148
Santa Fe, NM 87504-1148

RECEIVED
FEB 28 2019
HCD 33 OGD

RE: Kemnitz 10 State #001
30-025-35786
Issues of Non-compliance on State Oil and gas Lease VA-1689-0005

Dear Ms. Richard,

U.S. Energy Development Corporation (USED C) received your January 29, 2019 letter outlining issues of non-compliance on the referenced lease, and calling into question production reports (C-115) submitted to the state. This letter is to inform you that the following steps have been taken to address your concerns:

1. *The site is not being maintained. It is not being operated. Birds have begun to nest in the ladders leading up to the storage tanks.*

USED C personnel have cleaned up the location, removed weeds and remediated the soil. The well is operating but requires swabbing once a month to establish production. Please see the attached signed and notarized statement, as requested, that the well is producing as per the C-115s indicate.

2. *Contaminated soil was found around the well head.*

All contaminated soil has been removed and remediated. See attached photos showing the current state of the location.

3. *The well was not in operation during the site visit. An oil stained well head and extra pipe were on the ground next to the well. Google imagery shows the well was worked on in November of 2017.*

As stated above, the well is only in operation 1-2 days a month, so your site visit was on a day when it was shut-in. As also stated above, the stained soil around the wellhead has been removed. Piping is still on location but is stored neatly on railroad ties (see photos).

Please also be aware that USED C will have correct signage with current operator name on location before the April 1, 2019 deadline.

U.S. ENERGY[®] Development Corporation

Should you have any question or require additional information, please contact Catherine Aniello at caniello@usedc.com or by phone at 682-305-2868 x326.

Sincerely,



Catherine A. Aniello
Regulatory Manager

Attach.

CC: Kenda Montoya
Oil and Gas Lease Manager
kmontoya@slo.state.nm.us

NMSLO, Office of General Counsel
Andrea Antillon, NMSLO Attorney
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NMSLO Hobbs District Office
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New Mexico Oil Conservation Division
ATTN: Paul Kautz, Acting District Supervisor
1625 N. French Drive
Hobbs, NM 88240

OXY USA Inc.
ATTN: Land Department
P.O. Box 27757
Houston, TX 77227-7757

Sanders, Bruin, Coll & Worley, P.A.
ATTN: Kelly Mack Cassels, Attorney
701 West Country Club Road
Roswell, NM 88201

U.S. ENERGY[®] Development Corporation

I, Catherine A. Aniello, Regulatory Manager for U.S. Energy Development Corporation, operator of record, hereby certify that all production reported to the State of New Mexico Oil Conservation Division on form C-115 in 2018 for the Kemnitz 10 State #001 well is true and correct to the best of my knowledge. I also certify that the well is currently producing oil or gas.



Catherine A. Aniello, Regulatory Manager

2/21/2019
Date

State of Texas))SS:County of Tarrant)

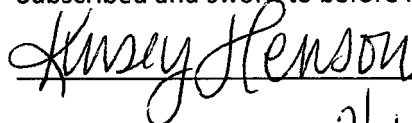
Before me, the undersigned notary public, this day, personally, appeared Catherine Aniello me known, who being duly sworn according to law, deposes the following:

(Affiant's Statement)



(Signature of Affiant)

Subscribed and sworn to before me this 21st day of February, 2019



Notary Public

My Commission Expires: 2/1/2023



Kemnitz 10 State #001
30-025-35786
02/15/2019 Photos after cleanup

