

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 8, 2010

265625 - RHCI ENTERPRISES, LLC
129 W ALTO
HOBBS, NM 88240

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for February, 2010.

You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. You may choose to request a hearing on this proposed cancellation within 120 days of the original due date.

Please submit your C115 immediately!

Rule 19.15.7.24 follows:

19.15.7.24 OPERATOR'S MONTHLY REPORT (Form C-115):

A. An operator shall file a form C-115 for each non-plugged well completion for which the division has approved a form C-104 and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state, setting forth complete information and data indicated on the forms in the order, format and style the director prescribes. The operator shall estimate oil production from wells producing into common storage as accurately as possible on the basis of periodic tests.

B. An operator shall file the reports 19.15.7.24 NMAC requires using the division's web-based online application on or before the 15th day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the 15th. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would operate as an economic or other hardship.

C. If an operator fails to file a form C-115 that the division accepts, the division shall, within 60 days of the appropriate filing date, notify the operator by electronic mail or letter of its intent to revoke the operator's authorization to transport or inject if the operator does not file an acceptable and complete form C-115. If the operator does not file an acceptable and complete form C-115 or request a hearing on the proposed cancellation within 120 days of the original due date of the form C-115, the division may cancel the operator's authority to transport from or inject into all wells it operates.

[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Sincerely,

Jane Prouty

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 12, 2010

265625 - RHC ENTERPRISES, LLC

129 W. ALTO

HOBBS, NM 88240

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for January, 2010.

You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. You may choose to request a hearing on this proposed cancellation within 120 days of the original due date.

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[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Sincerely,

Jane Prouty



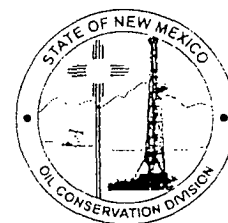
New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

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Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 12, 2010

265625 - RHCJ ENTERPRISES, LLC

129 W ALTO

HOBBS, NM 88240

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for December, 2009.

You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. You may choose to request a hearing on this proposed cancellation within 120 days of the original due date.

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[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Sincerely,

Jane Prouty



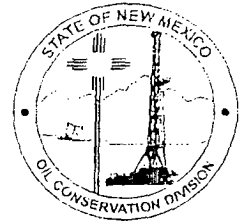
New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



February 10, 2010

265625 - RHCJ ENTERPRISES, LLC
129 W. ALTO
HOBBS, NM 88240

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for November, 2009.

You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. You may choose to request a hearing on this proposed cancellation within 120 days of the original due date.

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[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Sincerely,

Jane Prouty

A handwritten signature in dark ink, appearing to be "JP" or similar, written over the typed name "Jane Prouty".

New Mexico Energy, Minerals and Natural Resources Department

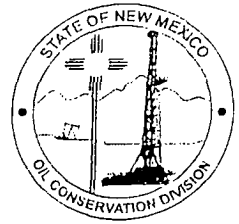
Bill Richardson

Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



February 10, 2010

265625 - RHCJ ENTERPRISES, LLC
129 W. ALTO
HOBBS, NM 88240

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for October, 2009.

You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. You may choose to request a hearing on this proposed cancellation within 120 days of the original due date.

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[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Sincerely,

Jane Prouty

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



December 9, 2009

265625 - RHCJ ENTERPRISES, LLC
129 W. ALTO
HOBBS, NM 88240

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for September, 2009.

You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. You may choose to request a hearing on this proposed cancellation within 120 days of the original due date.

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[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Sincerely,

Jane Prouty

A handwritten signature in dark ink, appearing to be "JP" or similar initials, written over the printed name "Jane Prouty".

*We spent a lot of time helping
you transfer wells into RHCJ.
Please meet your responsibility
to file production on-time.*

Thank you.



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel

Cabinet Secretary

Karen W. Garcia

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



August 13, 2010

265625 – RHCJ Enterprises LLC
129 W. Alto
Hobbs, NM 88240

Certified Mail Number _7009 0080 0002 1498 8602_

265625 – RHCJ Enterprises LLC
Box 6055
Hobbs, NM 88241

Certified Mail Number _7002 0510 0003 5125 1365_

Re: Cancellation of Authority to Transport from or Inject into Wells Operated by RHCJ Enterprises LLC: OGRID 265625

Dear Operator,

Effective immediately, the Oil Conservation Division (OCD) cancels the authority of RHCJ Enterprises LLC to transport from or inject into all wells it operates. This cancellation is issued pursuant to OCD Rule 19.15.7.24 NMAC.

Rule 19.15.7.24 provides:

If an operator fails to file a form C-115 that the division accepts, the division shall, within 60 days of the appropriate filing date, notify the operator by electronic mail or letter of its intent to revoke the operator's authorization to transport or inject if the operator does not file an acceptable and complete form C-115. If the operator does not file an acceptable and complete form C-115 or request a hearing on the proposed cancellation within 120 days of the original due date of the form C-115, the division may cancel the operator's authority to transport from or inject into all wells it operates.

By a letters dated December 9, 2009, February 10, 2010, April 12, 2010 and June 8, 2010, the OCD notified RHCJ Enterprises LLC that it had not received C-115 reports for



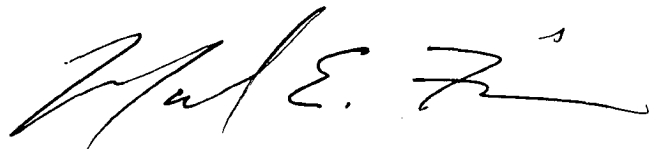
September 2009, October 2009, November 2009, December 2009, January 2010 and February 2010, and that it intended to revoke RHCJ Enterprises LLCs' authorization to transport or inject if it did not receive acceptable and complete C-115s for September 2009 through February 2010 within 120 days of the original due dates for the reports.

The letter further stated that RHCJ Enterprises LLC may request a hearing on this proposed cancellation within 120 days of the original due date for the September 2009 through February 2010 C115s. Copies of the letters are attached.

To date, RHCJ Enterprises LLC has not submitted C-115 reports for September 2009 through February 2010, and has not requested a hearing on the proposed cancellation. More than 120 days have passed from the original due dates for these reports. **RHCJ Enterprises LLCs' authority to transport from or inject into its wells is cancelled.** When RHCJ Enterprises LLC has filed acceptable and complete electronic C-115s for September 2009 through February 2010, it may apply in writing and attend a conference with the Santa Fe Oil Conservation Division requesting reinstatement of its authority to transport from or inject into the wells it operates.

Please note that although this cancellation of authority to transport from or inject into wells operated by RHCJ Enterprises LLC relates to its failure to file C-115 reports for September 2009 through February 2010, RHCJ Enterprises LLC is delinquent in filing C-115 reports for other periods as well. RHCJ Enterprises LLC has also failed to file reports for the time period of March, 2010 through May, 2010. RHCJ Enterprises LLC can expect to receive additional notices of cancellation of authority to transport from or inject into its wells if RHCJ Enterprises LLC does not file the reports. In addition, if RHCJ Enterprises LLC fails to act promptly to correct its reporting failures, the OCD may take additional enforcement actions against it. The enforcement actions may include seeking an order requiring the operator to plug and abandon its wells pursuant to NMSA 1978, Section 70-2-14(B).

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

ec: Daniel Sanchez, Enforcement and Compliance Manager
Buddy Hill, District 1
Theresa Duran-Saenz, Legal Assistant

Well List

265625 RHCJ ENTERPRISES, LLC

TOTAL WELL COUNT:3

PRINTED ON:FRIDAY, AUGUST 13, 2010

Property	Well Name	Lease Type	ULSTR	OCD UL	API	Well Type	Pool	Last Prod/Inj	Oil POD	Gas POD	In Add. Bond
306636	WALLEN BASS #002	F	N-21-20S-34E	N	30-025-26458	S	96141 SWD;YATES-SEVEN RIVERS	8/2009			
	WALLEN BASS #003	F	P-21-20S-34E	P	30-025-25904	O	42500 LYNCH;YATES-SEVEN RIVERS, MIDDLE	8/2009	2593410	2593430	
	WALLEN BASS #004	F	O-21-20S-34E	O	30-025-26288	O	42500 LYNCH;YATES-SEVEN RIVERS, MIDDLE	8/2009	2594610	2594630	