



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Jim Noel
Cabinet Secretary
Karen W. Garcia
Deputy Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

07-Oct-10

TRILOGY OPERATING INC

P. O. BOX 7606

MIDLAND TX 79708

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

| GENESIS STATE No.001 | | | | P-18-20S-36E | 30-025-34553-00-00 |
|--|------------------|---------------|------------|------------------------------|--|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: Inspection No. |
| 10/06/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/5/2010 iMAW1027957407 |
| Violations | | | | | |
| Surface Damage/Restoration | | | | | |
| Comments on Inspection: DO NOT RELEASE. Range on dry hole marker incorrect. Should be R36E not R39E. NEED TO CORRECT MARKER. 1st notice. | | | | | |
| EMERALD No.003 | | | | I-24-19S-38E | 30-025-35446-00-00 |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: Inspection No. |
| 10/07/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/30/2010 iMAW1028044534 |
| Violations | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | |
| Comments on Inspection: No well sign (Rule 10.15.16.8). NEED TO INSTALL WELL SIGN. 1st notice | | | | | |
| DIAMOND No.002 | | | | C-24-19S-38E | 30-025-36091-00-00 |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: Inspection No. |
| 10/07/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/30/2010 iMAW1028045210 |
| Violations | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | |
| Comments on Inspection: No well sign (Rule 10.15.16.8). NEED TO INSTALL WELL SIGN. 1st notice. | | | | | |

Oil Conservation Division • 1625 N. French Drive • Hobbs, New Mexico 88240

Phone 575-393-6161 • Fax 575-393-0720 • <http://www.emnrd.state.nm.us>

SAPPHIRE No.003

H-24-19S-38E

30-025-36142-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 10/07/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/30/2010 | iMAW1028044739 |
| Violations Absent Well Identification Signs (Rule 103) | | | | | | |
| Comments on Inspection: No well sign (Rule 10.15.16.8). NEED TO INSTALL WELL SIGN. 1st notice | | | | | | |

PHILLIPS No.001

E-19-19S-39E

30-025-36144-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 10/07/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/30/2010 | iMAW1028047988 |
| Violations Absent Well Identification Signs (Rule 103) | | | | | | |
| Comments on Inspection: No well or battery sign (Rule 10.15.16.8) NEED TO INSTALL WELL SIGNS 1st notice. | | | | | | |

DIAMOND No.003

D-24-19S-38E

30-025-36221-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 10/07/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/30/2010 | iMAW1028046002 |
| Violations Absent Well Identification Signs (Rule 103) | | | | | | |
| Comments on Inspection: No well sign (Rule 10.15.16.8). NEED TO INSTALL WELL SIGN. 1st notice | | | | | | |

DIAMOND No.004

E-24-19S-38E

30-025-36327-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 10/07/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/30/2010 | iMAW1028045791 |
| Violations Absent Well Identification Signs (Rule 103) | | | | | | |
| Comments on Inspection: No well sign (Rule 10.15.16.8). NEED TO INSTALL WELL SIGN. 1st notice. | | | | | | |

SCHUBERT FARMS No.001

B-25-19S-38E

30-025-37548-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 10/07/2010 | Routine/Periodic | Mark Whitaker | Yes | No | 11/30/2010 | iMAW1028047560 |
| Violations Absent Well Identification Signs (Rule 103) | | | | | | |
| Comments on Inspection: No well sign (Rule 10.15.16.8). NEED TO INSTALL WELL SIGN. 1st 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 Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

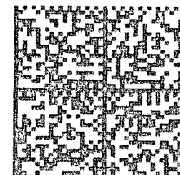


COMPLIANCE OFFICER

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



HASLER 017H15554612
\$0.440
10/07/2010
Mailed From 88240
US POSTAGE

TRILOGY OPERATING INC
P O BOX 7606
MIDLAND, TX 79708