



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Susana Martinez
Governor

Harrison H. Schmitt
Cabinet Secretary-Designate

Daniel Sanchez
Acting Division Director
Oil Conservation Division

Field Inspection Program
"Preserving the Integrity of Our Environment"

12-Jan-11

PROVIDENCE ENERGY SERVS' INC.-KELTON OP CORP

PO BOX 928

ANDREWS TX 79714

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

SKELLY PENROSE B UNIT No.028

G-5-23S-37E

30-025-10630-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/12/2011	Routine/Periodic	Mark Whitaker	Yes	No	4/17/2011	iMAW1101243427
Violations						
Surface Damage/Restoration						

Comments on Inspection: DO NOT RELEASE BOND. Dry hole marker correct. Injection riser exposed west of marker needs to be cut off 2' below ground level and removed. concrete blocks and coils of power line on south side of location and sucker rod and debris around well head need to be removed. Contour location on north and west side. 1st notice.

SKELLY PENROSE B UNIT No.029

H-5-23S-37E

30-025-10637-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/12/2011	Routine/Periodic	Mark Whitaker	Yes	No	4/17/2011	iMAW1101244728
Violations						
Surface Damage/Restoration						

Comments on Inspection: DO NOT RELEASE BOND. Dry hole marker correct. Injection riser exposed, needs to be cut off 2' below ground level and removed. Pumping unit base and concrete slabs on west side of location need to be removed. Contour location on west side. 1st notice.

SKELLY PENROSE B UNIT No.018

A-5-23S-37E

30-025-10638-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/12/2011	Routine/Periodic	Mark Whitaker	Yes	No	4/17/2011	iMAW1101245621
Violations						
Surface Damage/Restoration						

Comments on Inspection: DO NOT RELEASE BOND. Dry hole marker correct. Joint of tbg north of marker, two white posts east of marker, valve and flowline east of marker (if not active), and two partially buried drums east of marker need to be removed. 1st notice.

SKELLY PENROSE B UNIT No.059

P-8-23S-37E

30-025-10677-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/12/2011	Routine/Periodic	Mark Whitaker	Yes	No	4/17/2011	iMAW1101246854
Violations						
Surface Damage/Restoration						

Comments on Inspection: DO NOT RELEASE. Dry hole marker not correct. Should read 330 FSL & 330 FEL not 330 FSL & 330 FNL. Need to correct marker. Injection riser exposed east of marker needs to be cut off 2' below ground level and removed. Well sign need to be removed. Location should be contoured. 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.

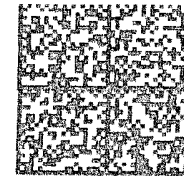
Sincerely,


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 015H14150977
\$0.44
01/12/11
Mailed From 88240

US POSTAGE

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dba KELTON OPERATING CORP.
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ANDREWS, TX 79714-0928