

State of Colorado  
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 (303) 894-2100 Fax: (303) 894-2109



FOR OGCC USE ONLY

04/10/2014

200401345

\*\*\* NOTICE OF ALLEGED VIOLATION \*\*\*

OGCC Operator Number: 10059  
Name of Operator: PETRO MEX RESOURCES  
Address: P O BOX 6724  
City: FARMINGTON State: NM Zip: 87499  
Company Representative: JESUS VILLALOBOS

Date Notice Issued:

04/10/2014

Well Name: GOVERNMENT Well Number: 6 Facility Number: 211021  
Location (QtrQtr, Sec, Twp, Rng, Meridian): NESE 8 8S 101W 6 County: GARFIELD  
API Number: 05 045 06779 00 Lease Number: COC0124705

COGCC Representative: ELLSWORTH STUART Phone Number: 303 894-2100

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: 01/01/2014 Approximate Time of Violation:  
Description of Alleged Violation:  
Based on a review of COGCC records, this well is Shut-In. This well has not produced from at least January 1999 until its last production record in May 2013. A recent mechanical integrity test has not been performed on this well. This well is in violation of Rule 326.b.(1) for not passing a mechanical integrity test after being shut in for two (2) years. This well is in violation of Rule 309 for not keeping up to date production records.

Act, Order, Regulation, Permit Conditions Cited:  
Rules 309 and 326.b.(1)

Abatement or Corrective Action Required to be Performed by Operator:\*  
See Exhibit A

Abatement or Corrective Action to be Completed by (date): 04/10/2014  
\* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:  
Company Representative Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Company Comments: \_\_\_\_\_

\*\*\* THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED \*\*\*

WARNING

Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the Notice or five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523

The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed.

the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The

- BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
- BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401
- BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 606A, 806B, 807
- BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 306, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 706, 707, 808, 809, 711, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103

In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: Date: 04/10/2014 Time:  
Resolution Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

**Exhibit A – NOAVs #200401344; #200401345**

Immediately inform the COGCC of which of the following options will be exercised and begin work immediately after approval, including:

1. Pass an MIT to maintain shut-in status. Notify staff prior to conducting the MIT on a Form 42 and submit a Form 21 within 30 days after the MIT, if it is not witnessed by staff. Also, provide an explanation on company letterhead for any wells not being returned to production explaining that the well is capable of production and should retain shut-in status; or
2. Pass an MIT and reestablish production. Notify staff 10 days prior to conducting the MIT on a Form 42 and submit a Form 21 within 30 days after the MIT, if it is not witnessed by staff. Also, file timely Operator's Monthly Report of Operations on Form 7; or
3. Plug and abandon the well. Submit a Well Abandonment Report on Form 6 for prior approval before immediately proceeding with plugging and abandoning the well. If an MIT is performed and the well lacks mechanical integrity, then casing repair procedures must be approved by COGCC staff on a Form 4, Sundry Notice, prior to remediation per Rule 317.d.

Also, immediately bring production reporting up to date.

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Noav # 200401344  
API 05-045-06772-D

Noav # 200401345  
API 05-045-06779

<b>U.S. Postal Service™</b> <b>CERTIFIED MAIL™ RECEIPT</b> <i>(Domestic Mail Only; No Insurance Coverage Provided)</i>											
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>											
<b>OFFICIAL USE</b>											
<table border="1" style="width: 100%;"> <tr> <td style="width: 80%;">Postage</td> <td style="width: 20%;">\$</td> </tr> <tr> <td>Certified Fee</td> <td></td> </tr> <tr> <td>Return Receipt Fee <small>(Endorsement Required)</small></td> <td></td> </tr> <tr> <td>Restricted Delivery Fee <small>(Endorsement Required)</small></td> <td></td> </tr> <tr> <td><b>Total Postage &amp; Fees</b></td> <td><b>\$</b></td> </tr> </table>	Postage	\$	Certified Fee		Return Receipt Fee <small>(Endorsement Required)</small>		Restricted Delivery Fee <small>(Endorsement Required)</small>		<b>Total Postage &amp; Fees</b>	<b>\$</b>	<p style="text-align: center;">Postmark Here</p> <p style="font-size: 1.5em; text-align: center;">SI List - NOAV 2013</p>
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<table border="1" style="width: 100%;"> <tr> <td style="width: 15%;"><small>Sent To</small></td> <td>Petro Mex Resources</td> </tr> <tr> <td><small>Street, Apt. No., or PO Box No.</small></td> <td>P.O. Box 6724</td> </tr> <tr> <td><small>City, State, ZIP+4</small></td> <td>Farmington, NM 87499</td> </tr> </table>		<small>Sent To</small>	Petro Mex Resources	<small>Street, Apt. No., or PO Box No.</small>	P.O. Box 6724	<small>City, State, ZIP+4</small>	Farmington, NM 87499				
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PS Form 3800, August 2006 <span style="float: right;">See Reverse for Instructions</span>											

7011 3500 0000 8455 9938

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> <p>1. Article Addressed to:</p> <p style="font-size: 1.2em;">Petro Mex Resources Attn: Jesus Villalobos P.O. Box 6724 Farmington, NM 87499</p>	<p>A. Signature</p> <p style="font-size: 1.5em; font-weight: bold;">X</p> <p style="text-align: right;"><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <span style="float: right;">C. Date of Delivery</span></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>2. Article Number <small>(Transfer from service label)</small></p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>7011 3500 0000 8455 9938</p>	