

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Response Required – Deadline Enclosed
Underground Injection Control Program
"Protecting Our Underground Sources of Drinking Water"

24-Mar-17

COG OPERATING LLC
ONE CONCHO CENTER
600 W. ILLINOIS AVE
MIDLAND TX 79701

LETTER OF VIOLATION and SHUT-IN DIRECTIVE
Failed Mechanical Integrity Test

Dear Operator:

The following test(s) were performed on the listed dates on the following well(s) shown below in the test detail section.

The test(s) indicates that the well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. To comply with guidelines established by the U.S. Environmental Protection Agency, the well(s) must be shut-in immediately until it is successfully repaired. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by an inspector employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that the well(s) will be retested so the test may be witnessed by a field representative.

MECHANICAL INTEGRITY TEST DETAIL SECTION

BURCH KEELY UNIT No.114

30-015-03064-00-00

| | | |
|-------------------------|--|--|
| | Active Injection - (All Types) | P-23-17S-29E |
| Test Date: | 3/22/2017 | Permitted Injection PSI: |
| Test Reason: | 5-year Test | Test Result: F |
| Test Type: | Std. Annulus Pres. Test | Actual PSI: 0 |
| Comments on MIT: | 10 bbls to load, lost 40psi in 5 minutes, retrieved and fluid came from around tubing. | Repair Due: 6/25/2017 |
| | | FAIL TYPE: Other Internal Failure |
| | | FAIL CAUSE: |

BURCH KEELY UNIT No.135

30-015-03086-00-00

| | | |
|-------------------------|--|--|
| | Active Injection - (All Types) | C-25-17S-29E |
| Test Date: | 3/21/2017 | Permitted Injection PSI: |
| Test Reason: | 5-year Test | Test Result: F |
| Test Type: | Std. Annulus Pres. Test | Actual PSI: 0 |
| Comments on MIT: | After building up to 300psi, well would not pressure up. Immediate drop off. | Repair Due: 6/24/2017 |
| | | FAIL TYPE: Other Internal Failure |
| | | FAIL CAUSE: |

March 24, 2017

Page 2

DURANGO 15 STATE COM No.001

30-015-31557-00-00

| | | |
|-------------------------|---------------------------------|--|
| | Active Salt Water Disposal Well | D-15-17S-29E |
| Test Date: | 3/22/2017 | Permitted Injection PSI: |
| Test Reason: | 5-year Test | Test Result: F |
| Test Type: | Std. Annulus Pres. Test | FAIL TYPE: Other Internal Failure |
| Comments on MIT: | Well will not hold pressure | Actual PSI: 420 |
| | | Repair Due: 6/25/2017 |
| | | FAIL CAUSE: |

JENKINS B FEDERAL No.013

30-015-31560-00-00

| | | |
|-------------------------|--------------------------------|--|
| | Active Injection - (All Types) | E-20-17S-30E |
| Test Date: | 3/21/2017 | Permitted Injection PSI: |
| Test Reason: | Annual IMIT | Test Result: F |
| Test Type: | Bradenhead Test | FAIL TYPE: Other Internal Failure |
| Comments on MIT: | Well would not pressure-up. | Actual PSI: 0 |
| | | Repair Due: 6/24/2017 |
| | | FAIL CAUSE: |

LOCO HILLS SWD 35 No.002

30-015-37268-00-00

| | | |
|-------------------------|---|--|
| | Active Salt Water Disposal Well | N-35-17S-30E |
| Test Date: | 3/21/2017 | Permitted Injection PSI: |
| Test Reason: | Annual IMIT | Test Result: F |
| Test Type: | Bradenhead Test | FAIL TYPE: Other Internal Failure |
| Comments on MIT: | Informed by Operator - well is shut-in for repairs. | Actual PSI: |
| | | Repair Due: 6/24/2017 |
| | | FAIL CAUSE: |

LAKEWOOD SWD No.001

30-015-40717-00-00

| | | |
|-------------------------|---------------------------------|--|
| | Active Salt Water Disposal Well | B-8-19S-26E |
| Test Date: | 3/23/2017 | Permitted Injection PSI: |
| Test Reason: | 5-year Test | Test Result: F |
| Test Type: | Std. Annulus Pres. Test | FAIL TYPE: Other Internal Failure |
| Comments on MIT: | Well would not pressure-up. | Actual PSI: 0 |
| | | Repair Due: 6/26/2017 |
| | | FAIL CAUSE: |

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, or if the well(s) are not immediately shut-in, 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,


Artesia OCD District Office

Note: Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. * Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.