New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**
Governor

**Joanna Prukop**
Cabinet Secretary
**Reese Fullerton**
Deputy Cabinet Secretary

**Mark Fesmire**
Division Director
**Oil Conservation Division**

***Response Required – Deadline Enclosed***

*Underground Injection Control Program*
*"Protecting Our Underground Sources of Drinking Water"*

*11-Mar-10*

**TANDEM ENERGY CORPORATION**
11490 WESTHEIMER RD, STE 1000
HOUSTON, TX 77077

**LOV NO. 02-09-137**

**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*

**SOUTH LUCKY LAKE QUEEN UNIT No.001C** — **30-005-60303-00-00**
Active Injection - (All Types) — E-27-15S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | 5-year Test | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well will not hold pressure.

**SOUTH LUCKY LAKE QUEEN UNIT No.004** — **30-005-60381-00-00**
Active Injection - (All Types) — N-22-15S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | 5-year Test | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Injection fluid leaking from surface valve.

**SQUARE LAKE 12 UNIT No.102** — **30-015-02837-00-00**
Active Injection - (All Types) — P-1-17S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | Annual IMIT | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Bradenhead Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well would not pressure-up.

**SQUARE LAKE 12 UNIT No.115** — **30-015-02961-00-00**

Active Injection - (All Types) — L-12-17S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | Annual IMIT | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well will not hold pressure

**SQUARE LAKE 12 UNIT No.113** — **30-015-02962-00-00**

Active Injection - (All Types) — J-12-17S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | Annual IMIT | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well will not hold pressure

**SQUARE LAKE 12 UNIT No.117** — **30-015-02964-00-00**

Active Injection - (All Types) — N-12-17S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | 5-year Test | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well will not hold pressure

**OLD LOCO UNIT No.015** — **30-015-03214-00-00**

Active Injection - (All Types) — O-32-17S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/9/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | 1100 |
| **Test Reason:** | 5-year Test | **Test Result:** | F | **Repair Due:** | 6/12/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well will not hold pressure

**BRAINARD No.008** — **30-015-10453-00-00**

Active Injection - (All Types) — O-34-18S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | Annual IMIT | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Bradenhead Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Operator reported hole in casing.

**BRAINARD No.007** — **30-015-10472-00-00**

Active Injection - (All Types) — N-34-18S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/10/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | Annual IMIT | **Test Result:** | F | **Repair Due:** | 6/13/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well will not hold pressure

**BALLARD GRAYBURG SAN ANDRES UNIT No.008J** — **30-015-24267-00-00**

Active Injection - (All Types) — F-8-18S-29E

| | | | | | |
|---|---|---|---|---|---|
| **Test Date:** | 3/9/2010 | **Permitted Injection PSI:** | | **Actual PSI:** | |
| **Test Reason:** | 5-year Test | **Test Result:** | F | **Repair Due:** | 6/12/2010 |
| **Test Type:** | Std. Annulus Pres. Test | **FAIL TYPE:** | Other Internal Failure | **FAIL CAUSE:** | |

**Comments on MIT:** Well will not hold pressure

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,

Richard Inge

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.