

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST CBS OPERATING CORP. ASSESSING CIVIL PENALTIES; REQUIRING CBS OPERATING CORP. TO BRING THE WELLS INTO COMPLIANCE WITH 19.15.9.703 NMAC OR PLUG THE WELLS BY A DATE CERTAIN; AND IN THE EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO FORFEIT THE APPLICABLE FINANCIAL ASSURANCE AND PLUG THE WELLS; EDDY COUNTY, NEW MEXICO.

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CASE NO. 13720

**APPLICATION FOR COMPLIANCE ORDER
AGAINST CBS OPERATING CORP.**

1. CBS Operating Corp. (hereinafter "CBS") operates wells in New Mexico under OGRID 216852.
2. The records of the Oil Conservation Division (hereinafter, "OCD") indicate that CBS's obligation to plug and abandon its wells in compliance with OCD rules is secured with a \$50,000 blanket bond, number 440543, and a \$235,000 blanket bond, number 440545, both issued by Trinity Universal Insurance (hereinafter, "surety").
3. 19.15.9.701 NMAC [Rule 701] requires operators to hold a permit for the injection of gas, liquefied petroleum gas, air, water or any other medium into any reservoir for the purpose of maintaining reservoir pressure or for the purpose of secondary or other enhanced recovery or for storage of the injection of water into any formation for the purpose of water disposal.
4. CBS holds permits under Rule 701 to operate the following wells as injection wells in Eddy County, New Mexico (hereinafter, "subject wells"):

30-015-03293	H G Watson #007
30-015-04044	Burnham Grayburg San Andres Unit #001A
30-015-04049	Burnham Grayburg San Andres Unit #001C
30-015-04058	Burnham Grayburg San Andres Unit #003A
30-015-04066	Federal KK #003
30-015-04068	Federal Q #001
30-015-04071	Federal Q #004

30-015-04406	Federal L #002
30-015-04948	North Square Lake Unit #145
30-015-04949	North Square Lake Unit 127
30-015-05034	Featherstone #005
30-015-20315	Federal KK #001
30-015-20536	Loco Hills A Federal #002
30-015-20537	Loco Hills B Federal #001
30-015-20610	Loco Hills A Federal #005
30-015-20672	Loco Hills B Federal #005
30-015-21449	Artesia State Unit #002D
30-015-21486	Artesia State Unit #002
30-015-21487	Artesia State Unit #001E
30-015-03925	North Square Lake Unit #069

5. 19.15.9.703 NMAC [Rule 703] provides in relevant part:

- A. Injection wells shall be equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical integrity which will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement though vertical channels adjacent to the well bore.
- B. Injection project, including injection wells and producing wells and all related surface facilities shall be operated and maintained at all times in such a manner as will confine the injected fluids to the interval or intervals approved and prevent surface damage or pollution resulting from leaks, breaks, or spills.
- C.
- D.
- E. Injection wells or projects which have exhibited failure to confine injected fluids to the authorized injection zone or zones may be subject to restriction of injection volume and pressure, or shut-in, until the failure has been identified and corrected.

6. 19.15.9.704.A NMAC [Rule 704.A] provides in relevant part:

- (1) Prior to commencement of injection and any time tubing is pulled or the packer is resealed, wells shall be tested to assure the integrity of the casing and the tubing and packer, if used, including pressure testing of the casing-tubing annulus to a minimum of 300 psi for 30 minutes or such other pressure and/or time as may be approved by the appropriate district supervisor. A pressure recorder shall be used and copies of the chart shall be submitted to the appropriate division district office within 30 days following the test date.
- (2) At least once very five years thereafter, injection wells shall be tested to assure their continued mechanical integrity. Tests demonstrating continued mechanical integrity shall include the following:

- (a) measurement of annular pressures in wells injecting at positive pressure under a packer or a balanced fluid seal; or,
- (b) pressure testing of the casing-tubing annulus for wells injecting under vacuum conditions; or,
- (c) such other tests which are demonstrably effective and which may be approved for use by the division.

(3) Notwithstanding the test procedures outlined above, the division may require more comprehensive testing of the injection wells when deemed advisable, including the use of tracer surveys, noise logs, temperature logs, or other test procedures or devices.

7. The following CBS injection wells failed to meet mechanical integrity tests during inspections conducted in February 2005. By letter dated February 3, 2005 the OCD notified CBS of the failures and instructed CBS to return the wells to physical compliance by early May 2005. A copy of that letter is attached to this application as Exhibit 1.

30-015-04044	Burnham Grayburg San Andres Unit #001A
30-015-04049	Burnham Grayburg San Andres Unit #001C
30-015-04058	Burnham Grayburg San Andres Unit #003A (original failure in 2000 was hole in tubing)
30-015-04066	Federal KK #003
30-015-04068	Federal Q #001 (original failure in 2000 was tubing)
30-015-04071	Federal Q #004
30-015-04406	Federal L #002 (original failure was tubing)
30-015-04948	North Square Lake Unit #145
30-015-04949	North Square Lake Unit 127 (original failure in 2000 was tubing)
30-015-05034	Featherstone #005 (original failure in 2000 was tubing)
30-015-20315	Federal KK #001 (original failure was tubing)
30-015-20536	Loco Hills A Federal #002
30-015-20537	Loco Hills B Federal #001
30-015-20610	Loco Hills A Federal #005
30-015-20672	Loco Hills B Federal #005

8. To date, only one of the wells identified in paragraph 7, above, has been returned to compliance: the North Square Lake Unit #145. That well was not returned to compliance until March 2006 – ten months after the deadline given by the OCD’s February 2005 letter.

9. The OCD was not able to conduct tests on the following CBS well during an inspection conducted on February 1, 2006 because the well had no injection line. The OCD notified CBS of this failure by letter dated February 2, 2006, and instructed CBS to repair the well by May 7, 2006. A copy of the letter is attached to this application as Exhibit 2. As of the date of this filing, the well had not been repaired:

30-015-03925 North Square Lake Unit #69

10. The following CBS injection well failed to meet a mechanical integrity test conducted on March 22, 2004, due to tubing failure. By letter dated March 26, 2004, the OCD notified CBS of the failure and instructed CBS to return the well to compliance by June 25, 2004. To date the well has not been returned to compliance. A copy of the OCD's March 26, 2004 letter is attached to this application as Exhibit 3.

30-015-032923 HG Watson No. 007

11. The following CBS injection wells failed to meet mechanical integrity tests, or the OCD was not able to conduct tests due to bad roads, during inspections conducted on July 18, 2005. By letter dated July 19, 2005, the OCD notified CBS of the failures and instructed CBS to return the wells to physical compliance by October 21, 2005. CBS returned the wells to compliance in March and April 2006 – over four months after the deadline given by the July 19, 2005 letter. A copy of that letter is attached to this application as Exhibit 4:

30-015-21449 Artesia State Unit #002D
30-015-21486 Artesia State Unit #002
30-015-21487 Artesia State Unit #001E

12. The Oil and Gas Act authorizes penalties of up to one thousand dollars (\$1,000) per day for a knowing and willful violation of any provision of the Act or any rule or order issued pursuant to the Act. In the case of a continuing violation, each day of violation shall constitute a separate violation. NMSA 1978, § 70-2-31(A).
13. The Oil and Gas Act defines "person" as "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity..." NMSA 1978, § 70-2-33(A)(1).
14. NMSA 1978, § 70-2-14(B) provides:

If any of the requirements of the Oil and Gas Act [Chapter 70, Article 2 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

WHEREFORE, the Enforcement and Compliance Manager hereby applies to the Director to enter an order:

- A. Determining that CBS knowingly and willfully violated 19.15.9.703 NMAC as to the subject wells by failing to equip, operate, monitor and/or maintain the wells to facilitate periodic testing and to assure continued mechanical integrity, after being notified of mechanical integrity test failures;
- B. Assessing a civil penalty in the amount totaling not less than \$35,000 for the continuing, knowing and willful violation of 19.15.9.703 NMAC at the subject wells;
- C. Requiring CBS, within 90 days of the issuance of the order, to either
 - 1) repair the subject wells so that the wells pass tests conducted pursuant to 19.15.9.704.A NMAC and meet the pressure limitations set by permit; or
 - 2) plug the subject wells in accordance with OCD rules;
- D. In the event CBS fails to either repair or plug each of the subject wells within 90 days of the date the order is issued, authorize the OCD pursuant to NMSA 1978, § 70-2-14(B) to:
 - a) forfeit immediately the financial assurance posted by CBS for the wells, and
 - b) plug and abandon each non-compliant subject well in accordance with an OCD-approved plugging program; and
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 16 day of April 2006 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for The New Mexico Oil
Conservation Division

Case No. 13720. Application of the New Mexico Oil Conservation Division for a Compliance Order Against CBS Operating Corp. The Applicant seeks an order determining that operator knowingly and willfully violated 19.15.9.703 NMAC, imposing civil penalties, requiring operator to bring the wells into compliance with 19.15.9.703 NMAC or plug the wells by a date certain, and in the event of non-compliance, authorizing the Division to forfeit the applicable financial assurance and plug and abandon the wells. The affected wells are: H G Watson, #007 30-015-03293, J-4-18S-29E; Burnham Grayburg San Andres Unit #001A, 30-015-04044, L-2-17S-30E; Burnham Grayburg San Andres Unit #001C, 30-015-04049, P-2-17S-30E; Burnham Grayburg San Andres Unit #003A, 30-015-04058, H-2-17S-30E; Federal KK #003, 30-015-04066, J-3-17S-30E; Federal Q #001, 30-015-04068, 4-3-17S-30E; Federal Q #004, 30-015-04071, F-3-17S-30E; Federal L #002, 30-015-04406, 2-31-17S-30E; North Square Lake Unit 127, 30-015-04949, H-31-16S-31E; Featherstone #005, 30-015-05034, 3-2-17S-31E; Federal KK #001, 30-015-20315, P-3-17S-30E; Loco Hills A Federal #002, 30-015-20536, N-10-17S-30E; Loco Hills B Federal #001, 30-015-20537, P-9-17S-30E; Loco Hills A Federal #005, 30-015-20610, L-10-17S-30E; Loco Hills B Federal #005, 30-015-20672, J-9-17S-30E; North Square Lake Unit #069, 30-015-03925; North Square Lake Unit #145, 30-015-04948, J-31-16S-31E; Artesia State Unit #002D, 30-015-21449, A-23-18S-27E; Artesia State Unit #002, 30-015-21486, L-13-18S-27E; Artesia State Unit #001E, 30-015-21487, B-23-18S-27E. The affected wells are located approximately 10-30 miles east and southeast of Artesia, Eddy County, New Mexico.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

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

03-Feb-05

CBS OPERATING CORP
PO BOX 2236
MIDLAND TX 79702-

NOTICE 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

NORTH SQUARE LAKE UNIT No.051		30-015-03926-00-00
Active Injection - (All Types)		J-25-16S-30E
Test Date:	2/1/2005	Permitted Injection PSI:
Test Reason:	5-year Test	Actual PSI:
Test Type:	Std. Annulus Pres. Test	Test Result:
Comments on MIT:	Well bled-down 40 lbs pressure in 10 minutes	FAIL TYPE:
		Actual PSI:
		Repair Due:
		FAIL CAUSE:
BURNHAM GRAYBURG SAN ANDRES UNIT No.001A		30-015-04044-00-00
Active Injection - (All Types)		L-2-17S-30E
Test Date:	2/2/2005	Permitted Injection PSI:
Test Reason:	5-year Test	Actual PSI:
Test Type:	Std. Annulus Pres. Test	Test Result:
Comments on MIT:	Well would not pressure-up. Behind csg flow.	FAIL TYPE:
		Actual PSI:
		Repair Due:
		FAIL CAUSE:
BURNHAM GRAYBURG SAN ANDRES UNIT No.001C		30-015-04049-00-00
Active Injection - (All Types)		P-2-17S-30E
Test Date:	2/2/2005	Permitted Injection PSI:
Test Reason:	5-year Test	Actual PSI:
Test Type:	Std. Annulus Pres. Test	Test Result:
Comments on MIT:	Well would not pressure-up.	FAIL TYPE:
		Actual PSI:
		Repair Due:
		FAIL CAUSE:

Exhibit 1

BURNHAM GRAYBURG SAN ANDRES UNIT No.003A**30-015-04058-00-00**

Active Injection - (All Types)

H-2-17S-30E

Test Date: 2/2/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/8/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Previous IMIT failure - Not repaired 2000

FEDERAL KK No.003**30-015-04066-00-00**

Active Injection - (All Types)

J-3-17S-30E

Test Date: 2/2/2005

Permitted Injection PSI:

Actual PSI: 375

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/8/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Behind CSG Flow

FAIL CAUSE:

Comments on MIT: Well would not pressure-up. Behind csg flow.

FEDERAL Q No.001**30-015-04068-00-00**

Active Injection - (All Types)

D-3-17S-30E

Test Date: 2/2/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 5/8/2005

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: No test. Well failed 2000 MIT and not repaired. No flowline.

FEDERAL Q No.004**30-015-04071-00-00**

Active Injection - (All Types)

F-3-17S-30E

Test Date: 2/2/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/8/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well would not pressure-up.

FEDERAL L No.002**30-015-04406-00-00**

Active Injection - (All Types)

E-31-17S-30E

Test Date: 2/2/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/8/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Previous IMIT failure - Not repaired

NORTH SQUARE LAKE UNIT No.145**30-015-04948-00-00**

Active Injection - (All Types)

J-31-16S-31E

Test Date: 2/1/2005

Permitted Injection PSI:

Actual PSI: 1075

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/7/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well bled-down 40 lbs pressure in 20 minutes

NORTH SQUARE LAKE UNIT No.127**30-015-04949-00-00**

Active Injection - (All Types)

H-31-16S-31E

Test Date: 2/1/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 5/7/2005

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Idle well since 2000 failure of MIT

FEATHERSTONE No.005**30-015-05034-00-00**

Active Injection - (All Types)

C-2-17S-31E

Test Date: 2/2/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/8/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT:

NORTH SQUARE LAKE UNIT No.185**30-015-10863-00-00**
A-36-16S-30E

Active Injection - (All Types)
Test Date: 2/1/2005 **Permitted Injection PSI:** **Actual PSI:** 1225
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/7/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Casing **FAIL CAUSE:**
Comments on MIT: Well bled-down 40 lbs pressure in 20 minutes

NORTH SQUARE LAKE UNIT No.102**30-015-20185-00-00**
A-31-16S-31E

Active Injection - (All Types)
Test Date: 2/1/2005 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/7/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Casing **FAIL CAUSE:**
Comments on MIT: Per pumper - well will not test.

FEDERAL KK No.001**30-015-20315-00-00**
P-3-17S-30E

Active Injection - (All Types)
Test Date: 2/2/2005 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/8/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT:

LOCO HILLS A FEDERAL No.002**30-015-20536-00-00**
N-10-17S-30E

Active Injection - (All Types)
Test Date: 2/3/2005 **Permitted Injection PSI:** **Actual PSI:** 1250
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/9/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Casing **FAIL CAUSE:**
Comments on MIT: Well would not pressure-up.

LOCO HILLS B FEDERAL No.001**30-015-20537-00-00**
P-9-17S-30E

Active Injection - (All Types)
Test Date: 2/3/2005 **Permitted Injection PSI:** **Actual PSI:** 1175
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/9/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Casing **FAIL CAUSE:**
Comments on MIT: Well would not pressure-up.

LOCO HILLS A FEDERAL No.005**30-015-20610-00-00**
L-10-17S-30E

Active Injection - (All Types)
Test Date: 2/3/2005 **Permitted Injection PSI:** **Actual PSI:** 1000
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/9/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Behind CSG Flow **FAIL CAUSE:**
Comments on MIT:

LOCO HILLS A FEDERAL No.006**30-015-20611-00-00**
D-15-17S-30E

Active Injection - (All Types)
Test Date: 2/3/2005 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/9/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Injection pressure over limit

LOCO HILLS B FEDERAL No.005**30-015-20672-00-00**
J-9-17S-30E

Active Injection - (All Types)
Test Date: 2/3/2005 **Permitted Injection PSI:** **Actual PSI:** 500
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 5/9/2005
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Casing **FAIL CAUSE:**
Comments on MIT: Well would not pressure-up.

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,

Henry Auye
Artesia OCD District Office *CR*

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.



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

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Oil Conservation Division

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

03-Feb-05

CBS OPERATING CORP

PO BOX 2236

MIDLAND TX 79702-

**NOTICE 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

NORTH SQUARE LAKE UNIT No.051		30-015-03926-00-00	
		J-25-16S-30E	
		Active Injection - (All Types)	
Test Date:	2/1/2005	Permitted Injection PSI:	Actual PSI: 1100
Test Reason:	5-year Test	Test Result: F	Repair Due: 5/7/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE: Casing	FAIL CAUSE:
Comments on MIT:	Well bled-down 40 lbs pressure in 10 minutes		
BURNHAM GRAYBURG SAN ANDRES UNIT No.001A		30-015-04044-00-00	
		L-2-17S-30E	
		Active Injection - (All Types)	
Test Date:	2/2/2005	Permitted Injection PSI:	Actual PSI: 1075
Test Reason:	5-year Test	Test Result: F	Repair Due: 5/8/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE: Behind CSG Flow	FAIL CAUSE:
Comments on MIT:	Well would not pressure-up. Behind csg flow.		
BURNHAM GRAYBURG SAN ANDRES UNIT No.001C		30-015-04049-00-00	
		P-2-17S-30E	
		Active Injection - (All Types)	
Test Date:	2/2/2005	Permitted Injection PSI:	Actual PSI:
Test Reason:	5-year Test	Test Result: F	Repair Due: 5/8/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE: Casing	FAIL CAUSE:
Comments on MIT:	Well would not pressure-up.		

Exhibit 1

BURNHAM GRAYBURG SAN ANDRES UNIT No.003A**30-015-04058-00-00**

Active Injection - (All Types)

H-2-17S-30E

Test Date: 2/2/2005	Permitted Injection PSI:	Actual PSI:
Test Reason: 5-year Test	Test Result: F	Repair Due: 5/8/2005
Test Type: Std. Annulus Pres. Test	FAIL TYPE: Permit Violation	FAIL CAUSE:
Comments on MIT: Previous IMIT failure - Not repaired 2000		

FEDERAL KK No.003**30-015-04066-00-00**

Active Injection - (All Types)

J-3-17S-30E

Test Date: 2/2/2005	Permitted Injection PSI:	Actual PSI: 375
Test Reason: 5-year Test	Test Result: F	Repair Due: 5/8/2005
Test Type: Std. Annulus Pres. Test	FAIL TYPE: Behind CSG Flow	FAIL CAUSE:
Comments on MIT: Well would not pressure-up. Behind csg flow.		

FEDERAL Q No.001**30-015-04068-00-00**

Active Injection - (All Types)

D-3-17S-30E

Test Date: 2/2/2005	Permitted Injection PSI:	Actual PSI:
Test Reason: Annual IMIT	Test Result: F	Repair Due: 5/8/2005
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	FAIL CAUSE:
Comments on MIT: No test. Well failed 2000 MIT and not repaired. No flowline.		

FEDERAL Q No.004**30-015-04071-00-00**

Active Injection - (All Types)

F-3-17S-30E

Test Date: 2/2/2005	Permitted Injection PSI:	Actual PSI:
Test Reason: 5-year Test	Test Result: F	Repair Due: 5/8/2005
Test Type: Std. Annulus Pres. Test	FAIL TYPE: Casing	FAIL CAUSE:
Comments on MIT: Well would not pressure-up.		

FEDERAL L No.002**30-015-04406-00-00**

Active Injection - (All Types)

E-31-17S-30E

Test Date: 2/2/2005	Permitted Injection PSI:	Actual PSI:
Test Reason: 5-year Test	Test Result: F	Repair Due: 5/8/2005
Test Type: Std. Annulus Pres. Test	FAIL TYPE: Permit Violation	FAIL CAUSE:
Comments on MIT: Previous IMIT failure - Not repaired		

NORTH SQUARE LAKE UNIT No.145**30-015-04948-00-00**

Active Injection - (All Types)

J-31-16S-31E

Test Date: 2/1/2005	Permitted Injection PSI:	Actual PSI: 1075
Test Reason: 5-year Test	Test Result: F	Repair Due: 5/7/2005
Test Type: Std. Annulus Pres. Test	FAIL TYPE: Casing	FAIL CAUSE:
Comments on MIT: Well bled-down 40 lbs pressure in 20 minutes		

NORTH SQUARE LAKE UNIT No.127**30-015-04949-00-00**

Active Injection - (All Types)

H-31-16S-31E

Test Date: 2/1/2005	Permitted Injection PSI:	Actual PSI:
Test Reason: Annual IMIT	Test Result: F	Repair Due: 5/7/2005
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	FAIL CAUSE:
Comments on MIT: Idle well since 2000 failure of MIT		

FEATHERSTONE No.005**30-015-05034-00-00**

Active Injection - (All Types)

C-2-17S-31E

Test Date: 2/2/2005	Permitted Injection PSI:	Actual PSI:
Test Reason: 5-year Test	Test Result: F	Repair Due: 5/8/2005
Test Type: Std. Annulus Pres. Test	FAIL TYPE: Permit Violation	FAIL CAUSE:
Comments on MIT:		

NORTH SQUARE LAKE UNIT No.185**30-015-10863-00-00**

Active Injection - (All Types)

A-36-16S-30E

Test Date: 2/1/2005

Permitted Injection PSI:

Actual PSI: 1225

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/7/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well bled-down 40 lbs pressure in 20 minutes

NORTH SQUARE LAKE UNIT No.102**30-015-20185-00-00**

Active Injection - (All Types)

A-31-16S-31E

Test Date: 2/1/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/7/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Per pumper - well will not test.

FEDERAL KK No.001**30-015-20315-00-00**

Active Injection - (All Types)

P-3-17S-30E

Test Date: 2/2/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/8/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT:

LOCO HILLS A FEDERAL No.002**30-015-20536-00-00**

Active Injection - (All Types)

N-10-17S-30E

Test Date: 2/3/2005

Permitted Injection PSI:

Actual PSI: 1250

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/9/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well would not pressure-up.

LOCO HILLS B FEDERAL No.001**30-015-20537-00-00**

Active Injection - (All Types)

P-9-17S-30E

Test Date: 2/3/2005

Permitted Injection PSI:

Actual PSI: 1175

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/9/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well would not pressure-up.

LOCO HILLS A FEDERAL No.005**30-015-20610-00-00**

Active Injection - (All Types)

L-10-17S-30E

Test Date: 2/3/2005

Permitted Injection PSI:

Actual PSI: 1000

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/9/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Behind CSG Flow

FAIL CAUSE:

Comments on MIT:

LOCO HILLS A FEDERAL No.006**30-015-20611-00-00**

Active Injection - (All Types)

D-15-17S-30E

Test Date: 2/3/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/9/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit

LOCO HILLS B FEDERAL No.005**30-015-20672-00-00**

Active Injection - (All Types)

J-9-17S-30E

Test Date: 2/3/2005

Permitted Injection PSI:

Actual PSI: 500

Test Reason: 5-year Test

Test Result: F

Repair Due: 5/9/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well would not pressure-up.

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,

Henry Auzel
Artesia OCD District Office *EA*

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.



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

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

02-Feb-06

CBS OPERATING CORP
PO BOX 2236
MIDLAND TX 79702-

**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

NORTH SQUARE LAKE UNIT No.069

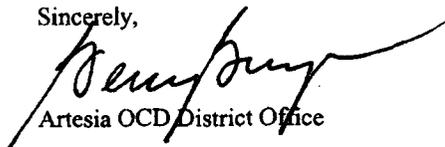
30-015-03925-00-00
O-25-16S-30E

	Active Injection - (All Types)		
Test Date:	2/1/2006	Permitted Injection PSI:	Actual PSI:
Test Reason:	Annual IMIT	Test Result: F	Repair Due: 5/7/2006
Test Type:	Bradenhead Test	FAIL TYPE: Operational Violation	FAIL CAUSE:
Comments on MIT:	No injection line. Unable to test.		

Exhibit 2

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.



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Oil Conservation Division

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

26-Mar-04

CBS OPERATING CORP
PO BOX 2236
MIDLAND TX 79702-0000

NOTICE 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

H G WATSON No.007

30-015-03293-00-00

Active Injection - (All Types)

J-4-18S-29E

Test Date: 3/22/2004 10:15:24 AM	Permitted Injection PSI:	Actual PSI: 500
Test Reason: Annual IMIT	Test Result: F	Repair Due: 6/25/2004
Test Type: Bradenhead Test	FAIL TYPE: Tubing	FAIL CAUSE:
Comments on MIT: Casing pressure and tubing equalizing.		

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

Exhibit 3

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.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

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

19-Jul-05

CBS OPERATING CORP
PO BOX 2236
MIDLAND TX 79702-

NOTICE 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

ARTESIA STATE UNIT No.002D		30-015-21449-00-00
		A-23-18S-27E
Active Injection - (All Types)		
Test Date:	7/18/2005	Permitted Injection PSI: Actual PSI:
Test Reason:	5-year Test	Test Result: F Repair Due: 10/21/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE: Casing FAIL CAUSE:
Comments on MIT:	Well will not hold pressure. No well sign (Rule 103). Idle well (Rule 201)	

ARTESIA STATE UNIT No.002		30-015-21486-00-00
		L-13-18S-27E
Active Injection - (All Types)		
Test Date:	7/18/2005	Permitted Injection PSI: Actual PSI:
Test Reason:	5-year Test	Test Result: F Repair Due: 10/21/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE: Operational Violation FAIL CAUSE:
Comments on MIT:	Unable to get to location. Bad Road.	

ARTESIA STATE UNIT No.001E		30-015-21487-00-00
		B-23-18S-27E
Temporarily Abandoned Injection - (All Types)		
Test Date:	7/18/2005	Permitted Injection PSI: Actual PSI:
Test Reason:	Annual IMIT	Test Result: F Repair Due: 10/21/2005
Test Type:	Bradenhead Test	FAIL TYPE: Operational Violation FAIL CAUSE:
Comments on MIT:	Unable to get to location. Bad Road.	

Exhibit 4

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,

Henry A. ...
Artesia OCD District Office *by G R*

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.