

State of New Mexico  
Energy, Minerals and Natural Resources Department

Susana Martinez  
Governor

David Martin  
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.  
Deputy Cabinet Secretary

Jami Bailey, Division Director  
Oil Conservation Division



**\*Response Required – Deadline Enclosed\***

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

HOBBS OCD

MAY 07 2013

06-May-13

PPC OPERATING COMPANY LLC  
4700 W. SAM HOUSTON PKWY N. STE 140  
HOUSTON TX 77041-

RECEIVED

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

Dear

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**

**W H RHODES B FEDERAL NCT-1 No.010**

**30-025-12056-00-00  
N-26-26S-37E**

Active Injection - (All Types)

Test Date:	4/5/2013	Permitted Injection PSI:		Actual PSI:	
Test Reason:	5-year Test	Test Result:	F	Repair Due:	7/9/2013
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	PT FAILURE; TEST RESULTS ARE MORE THAN 10% ALLOWED BY STATE. **OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11***				

**RHODES YATES UNIT No.007**

**30-025-12063-00-00  
F-27-26S-37E**

Active Injection - (All Types)

Test Date:	4/5/2013	Permitted Injection PSI:		Actual PSI:	
Test Reason:	5-year Test	Test Result:	F	Repair Due:	7/9/2013
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	PT FAILURE 540 PSI TO 460 PSI. TEST DID NOT HOLD 10% ALLOWED BY STATE. ***OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11****				

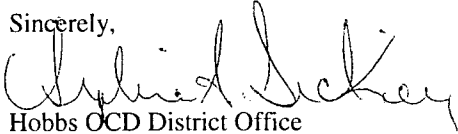
MAY 20 2013

May 6, 2013

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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.

Sincerely,

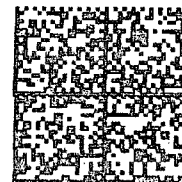


Hobbs OCD District Office

COMPLIANCE OFFICER

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.

EMNRD  
OIL CONSERVATION DIVISION  
1625 N FRENCH DRIVE  
HOBBS NM 88240



HASLER  
015H14150977  
\$0.46  
05/06/13  
Mailed From 88240  
US POSTAGE

PPC OPERATING COMPANY LLC.  
ATTN: REGULATORY DEPT.  
4700 W. SAM HOUSTON PRKWY N.  
STE. 140  
HOUSTON, TX 77041