

State of New Mexico  
Energy, Minerals and Natural Resources Department

**Susana Martinez**  
Governor

**John H. Bemis**  
Cabinet Secretary

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

**Jami Bailey, Division Director**  
Oil Conservation Division



**\*Response Required - Deadline**

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

06-Nov-13

**EOR OPERATING COMPANY**  
One Riverway . SUITE 610  
Houston TX 77056-

**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**

**MILNESAND UNIT No.036**

**30-041-00087-00-00**  
N-18-8S-35E

Expired TA Injection - (All Types)

<b>Test Date:</b>	10/8/2013	<b>Permitted Injection PSI:</b>		<b>Actual PSI:</b>	
<b>Test Reason:</b>	5-year Test	<b>Test Result:</b>	F	<b>Repair Due:</b>	1/11/2014
<b>Test Type:</b>	Std. Annulus Pres. Test	<b>FAIL TYPE:</b>	Other Internal Failure	<b>FAIL CAUSE:</b>	
<b>Comments on MIT:</b>	FAILED PRESSURE TEST; ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*** "LETTER OF VIOLATION FOR RECORD ONLY" **OPERATOR SUBMITTED NOI C103 TO PULL PKR AND REPLACE - APPROVED 11/04/2013***				

**HORTON FEDERAL No.004**

**30-041-10104-00-00**  
F-30-8S-35E

Active Injection - (All Types)

<b>Test Date:</b>	10/9/2013	<b>Permitted Injection PSI:</b>		<b>Actual PSI:</b>	
<b>Test Reason:</b>	5-year Test	<b>Test Result:</b>	F	<b>Repair Due:</b>	1/12/2014
<b>Test Type:</b>	Std. Annulus Pres. Test	<b>FAIL TYPE:</b>	Other Internal Failure	<b>FAIL CAUSE:</b>	
<b>Comments on MIT:</b>	FAILED PRESSURE TEST ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*** LOST MORE THAN 10% OF ALLOWED PRESSURE FOR TEST.***				

NOV 06 2013

**HORTON FEDERAL No.007**

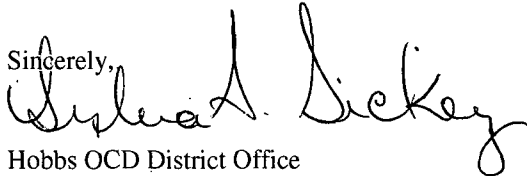
**30-041-10129-00-00**  
B-30-8S-35E

Active Injection - (All Types)

<b>Test Date:</b> 10/9/2013	<b>Permitted Injection PSI:</b>	<b>Actual PSI:</b>
<b>Test Reason:</b> Annual IMIT	<b>Test Result:</b> F	<b>Repair Due:</b> 1/12/2014
<b>Test Type:</b> Bradenhead Test	<b>FAIL TYPE:</b> Other Internal Failure	<b>FAIL CAUSE:</b>
<b>Comments on MIT:</b> FAILED BHT - CASING DID NOT BLEED DOWN: ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11***		

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,



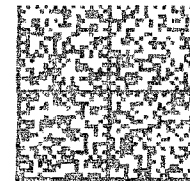
Hobbs OCD District Office

**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  
11/06/13  
Mailed From 88240  
US POSTAGE

EOR OPERATING COMPANY  
ATTN: REGULATORY  
ONE RIVERWAY, STE. 610  
HOUSTON, TX 77056