

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



HOBBS OCD

DEC 22 2016

RECEIVED

Response Required – Deadline Enclosed

Underground Injection Control Program

December 19, 2016

CERTIFIED MAIL 7014 1200 0002 1826 6257

Chestnut Exploration and Production, Inc.
2201 N. Central Expressway Suite 240
Richardson, TX 75080

RE: NOTICE TO OPERATOR: FAILED MECHANICAL INTERGRITY TEST UNDER UIC TESTING REQUIREMENTS FOR 2016

Dear Operator:

Under the provisions of Division Rule 19.15.26.10(A) NMAC, an operator of an **INJECTION (Salt Water Disposal and Enhanced Recovery)** well or **PRODUCING** well in a special designated area must maintain and periodically test these wells for mechanical integrity. For injection wells, this includes external mechanical integrity tests (MITs) such as Bradenhead testing on casing where cement was not circulated to surface.

As detailed in Division Rule 19.15.26.11(A)(5) NMAC, it is the responsibility of the operator to notify and schedule with Division personnel the opportunity to witness any pending MITs. Prior to January 1, 2017, District I provided letters to operators of record that identified wells with violations of Rule 19.15.26.10(A) NMAC and the tests that were required.

This letter is to serve as "**Notice of Failure**" to comply with the rules referenced above for the listed well(s) in the attachment to this letter. By failing to comply, the listed well(s) have been recorded as "**test failed**". **This will require that the wells listed be shut-in immediately and incoming lines to the wellhead be disconnected.**

In addition, the listed well(s) will be forwarded to Mr. Daniel Sanchez, daniel.sanchez@state.nm.us 505-476-3493, Enforcement and Compliance Manager, Santa Fe. Upon receipt, Mr. Sanchez will consider further enforcement action(s) as necessary.

Sincerely,

A handwritten signature in black ink that reads "Maxey G. Brown".

Maxey G. Brown, District I Supervisor
Hobbs District Office
Phone: 575-393-6161 ext. 102

ATTACHMENT: List of Well(s) Subject to "Notice of Failure"

API #
30-025-02448-00-00

WELL NAME AND No.
D AND E FEDERAL #001

OPERATOR
CHESTNUT EXPL. AND PROD., INC

UL
N

SEC
22

Twp
20S

Rng
34E

TEST
BHT

CONSERVATION DIVISION
FRENCH DRIVE
NM 88240



HASLER

\$006.49⁰

12/22/2016 ZIP 88240
012E14642224

CHESTNUT EXPLORATION AND PRODUCTION, INC
2201 N. CENTRAL EXPRESSWAY SUITE 240
RICHARDSON, TX 75080

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none">Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.Print your name and address on the reverse so that we can return the card to you.Attach this card to the back of the mailpiece, or on the front if space permits.		<p>A. Signature X</p> <p><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>	
1. Article Addressed to:		B. Received by (Printed Name)	C. Date of Delivery
CHESTNUT EXPLOR. & PROD 2201 N. CENTRAL EXPRESSWAY SUITE 240 RICHARDSON, TX 75080		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
2. Article Number (Transfer from service label)		3. Service Type	
7014 1200 0002 1826 6257		<input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
PS Form 3811, February 2004		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
Domestic Return Receipt		102595-02-M-1540	

U.S. Postal Service TM	
CERTIFIED MAIL TM RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at www.usps.com	
OFFICIAL USE	
Postage	\$.49
Certified Fee	3.30
Return Receipt Fee (Endorsement Required)	2.70
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 6.49
Postmark Here	
Sent To CHESTNUT EXP SUITE 240	
Street, Apt. No.; or PO Box No. 2201 N. CENTRAL EXPRESSWAY	
City, State, ZIP+4 RICHARDSON TX 75080	
PS Form 3800, August 2006	
See Reverse for Instructions	