

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

Protecting Our Underground Sources of Drinking Water

3/19/2004

Chesapeake Operating Co

5014 Carlsbad Hwy

Hobbs, NM 88240

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 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 repairs will be attempted so that such operations may be witnessed by a field representative.

MECHANICAL INTEGRITY TEST DETAIL SECTION

BENSON SHUGART WATERFLOOD UNIT No.008

30-015-23073-00-00

Active Injection - (All Types)

A-35-18S-30E

Test Date: 3/18/2004

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 6/21/2004

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Not tested. Shut in by OCD for Permit Violation.

BENSON SHUGART WATERFLOOD UNIT No.005

30-015-23697-00-00

Active Injection - (All Types)

A-26-18S-30E

Test Date: 3/18/2004 1:05:08 PM

Permitted Injection PSI:

Actual PSI: 1360

Test Reason: Annual IMIT

Test Result: F

Repair Due: 6/21/2004

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Permit violation (Over pressured). Well must remain shut-in pending approval of OCD of increase in pressure.

BENSON SHUGART WATERFLOOD UNIT No.030**30-015-25966-00-00****Shut-In Injection - (All Types)****M-30-18S-31E**

Test Date: 3/18/2004 1:28:08 PM **Permitted Injection PSI:** **Actual PSI:** 1300
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 6/21/2004
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Permit violation (Over pressured). Well must remain shut-in pending approval of OCD of increase in pressure.

BENSON SHUGART WATERFLOOD UNIT No.019**30-015-26041-00-00****Shut-In Injection - (All Types)****N-25-18S-30E**

Test Date: 3/18/2004 1:21:43 PM **Permitted Injection PSI:** **Actual PSI:** 1300
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 6/21/2004
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Permit violation (Over pressured). Well must remain shut-in pending approval of OCD of increase in pressure.

BENSON SHUGART WATERFLOOD UNIT No.007**30-015-27546-00-00****Active Injection - (All Types)****I-26-18S-30E**

Test Date: 3/18/2004 1:13:44 PM **Permitted Injection PSI:** **Actual PSI:** 1290
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 6/21/2004
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Permit violation (Over pressured). Well must remain shut-in pending approval of OCD of increase in pressure.

BENSON SHUGART WATERFLOOD UNIT No.006**30-015-27644-00-00****Active Injection - (All Types)****H-26-18S-30E**

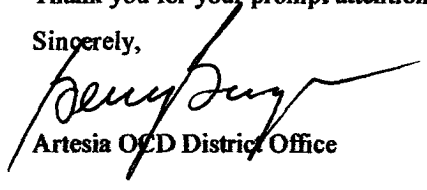
Test Date: 3/18/2004 12:56:50 PM **Permitted Injection PSI:** **Actual PSI:** 1350
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 6/21/2004
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Well is overpressured. Unable to open bradenhead valve. Well must be shut in pending repair and approval of pressure increase.

BENSON SHUGART WATERFLOOD UNIT No.015**30-015-27712-00-00****Active Injection - (All Types)****L-25-18S-30E**

Test Date: 3/18/2004 12:34:13 PM **Permitted Injection PSI:** **Actual PSI:** 1340
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 6/21/2004
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Well is overpressured. Bradenhead valve and casing valve frozen, unable to open. Well must be shut in pending repair of well and approval of pressure increase.

Thank you for your prompt attention to this matter and your efforts in helping to protect our ground water

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.