



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

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

Jami Bailey
Division Director
Oil Conservation Division



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Mailed: 6-21-11

Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

15-Jun-11

SOUTHERN BAY OPERATING, L.L.C.
110 CYPRESS STATION DR., #220
HOUSTON TX 77090

LOVNO. 02-09-205

30-015-10531

**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

GRAYBURG JACKSON PSU MA No.002

**30-015-10531-00-00
E-28-17S-30E**

Active Injection - (All Types)

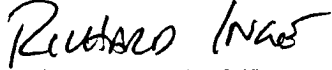
Test Date: 6/2/2011	Permitted Injection PSI:	Actual PSI: 0
Test Reason: 5-year Test	Test Result: F	Repair Due: 9/5/2011
Test Type: Std. Annulus Pres. Test	FAIL TYPE: Other Internal Failure	FAIL CAUSE:
Comments on MIT: Well would not pressure-up.		

Oil Conservation Division
1301 W. Grand Avenue • Artesia, New Mexico 88210
Phone (575) 748-1283 • Fax (575) 748-9720 • www.emnrd.state.nm.us/OCD



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,

A handwritten signature in black ink, appearing to read "Richard Inas". The signature is written in a cursive, flowing style.

Artesia OCD District Office