

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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 Water"

30-Sep-14date

ALAMO PERMIAN RESOURCES, LLC
415 W. WALL STREET, SUITE 500
MIDLAND TX 79701

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.

The five wells with surface pressure above the approved maximum pressure of 423 psi are in violation of the recent WFX order. Additionally, there is evidence that the waterflood is extending outside of the unit and affecting correlative rights. It was also observed that the injection pump was running and the gauge read 1140 psi coming out of the pump. Alamo Permian must provide additional information to the Engineering Bureau in Santa Fe for the justification of the higher pressure. Due to the serious nature of these violations, you are required to shut-in these wells immediately. You are also required to disconnect these wells from their injection lines.

A District II field inspector will re-inspect these wells the beginning of next week to make sure these wells have been disconnected.

MECHANICAL INTEGRITY TEST DETAIL SECTION

WEST ARTESIA GRAYBURG UNIT No.018

30-015-01899-00-00

Active Injection - (All Types)

D-17-18S-28E

Test Date: 9/30/2014

Permitted Injection PSI: 423

Actual PSI: 1040

Test Reason: Other

Test Result: F

Repair Due: 1/3/2015

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Gauge on tubing reads 1040 psi and well is injecting but meter shows zero flow rate. Max Injection Pressure is 423psi. Violation of WFX928 order.

WEST ARTESIA GRAYBURG UNIT No.001

30-015-02645-00-00

Active Injection - (All Types)

C-8-18S-28E

Test Date: 9/30/2014 **Permitted Injection PSI:** 423 **Actual PSI:** 1140
Test Reason: Other **Test Result:** F **Repair Due:** 1/3/2015
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Gauge on tubing reads 1140 psi and well is not injecting. Max Injection Pressure is 423psi. Violation of WFX928 order.

WEST ARTESIA GRAYBURG UNIT No.004

30-015-02648-00-00

Active Injection - (All Types)

E-8-18S-28E

Test Date: 9/30/2014 **Permitted Injection PSI:** 423 **Actual PSI:** 1140
Test Reason: Other **Test Result:** F **Repair Due:** 1/3/2015
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Gauge on tubing reads 1140 psi and well is injecting. Max Injection Pressure is 423psi. Violation of WFX928 order.

WEST ARTESIA GRAYBURG UNIT No.012

30-015-02649-00-00

Active Injection - (All Types)

L-8-18S-28E

Test Date: 9/30/2014 **Permitted Injection PSI:** 423 **Actual PSI:** 1300
Test Reason: Other **Test Result:** F **Repair Due:** 1/3/2015
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Gauge on tubing reads 1300 psi and well is injecting. Max Injection Pressure is 423psi. Violation of WFX928 order.

WEST ARTESIA GRAYBURG UNIT No.006

30-015-10328-00-00

Active Injection - (All Types)

G-8-18S-28E

Test Date: 9/30/2014 **Permitted Injection PSI:** 423 **Actual PSI:** 1160
Test Reason: Other **Test Result:** F **Repair Due:** 1/3/2015
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Gauge on tubing reads 1160 psi and well is injecting. Max Injection Pressure is 423psi. Violation of WFX928 order.

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,

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.