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mailed 1/13/11

New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Harrison H. Schmitt
Cabinet Secretary-Designate

Daniel Sanchez
Acting Division Director
Oil Conservation Division



Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

12-Jan-11

LEGACY RESERVES OPERATING, LP
P. O. BOX 10848
MIDLAND TX 79702

LOV NO. 02-09-191

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

SOUTH RED LAKE II UNIT No.007

30-015-00620-00-00
H-35-17S-27E

Active Injection - (All Types)

Test Date:	1/10/2011	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	4/15/2011
Test Type:	Bradenhead Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	Operator reports a hole in the tubing. Not tested. Well has been shut-in.				

MIDNIGHT MATADOR No.010

30-015-00621-00-00
A-35-17S-27E

Expired TA Injection - (All Types)

Test Date:	1/10/2011	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Post Workover Test	Test Result:	F	Repair Due:	4/15/2011
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	Unable to test. Started to pressure up and fluid came out of wellhead. Salt from around cap might indicate tubing leak. Well must be shut-in and repaired. Wrong name on Well sign - Indicates S. Red Lake II Unit 003, but name change to Midnight Matador submitted to BLM on 1/25/08. Correct well sign or submit name change.				

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

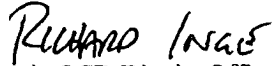


January 12, 2011

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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