

New Mexico Energy, Minerals and Natural Resources Department

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OCTOBER 20, 2011

Mr. Dan Gibson
Key Energy Services, LLC
6 Desta Drive, Suite 4400
Midland, Texas 79705

Via U.S. Certified Mail No.: 7001 1940 0004 7923 1206

Re: **LETTER OF VIOLATION Class I (Non-Hazardous) Injection Well Discharge Permit
SUNCO Disposal Well #1 UIC-CLI-005 (I-005) Oil Field Waste Disposal Well, San Juan
County, New Mexico [SUNCO Disposal Well #1 API# 30-045-28653]**

Dear Mr. Gibson:

The New Mexico Oil Conservation Division (OCD) is writing to inform the Key Energy Services LLC (Key) that it is in violation of the Underground Injection Control (UIC) Program Annual Mechanical Integrity Test (MIT) requirement for its injection well.

Key failed to conduct the annual MIT before September 30, 2011, the end of the Federal Environmental Protection Agency (EPA) Fiscal Year 2011 (Oct. 1, 2010 – Sept. 30, 2011). The OCD had sent out an e-mail reminder to operators on June 14, 2011.

The MIT requires advanced notification to the OCD in order to witness the MIT; the original MIT pressure chart with signatures and test information that reflects a "pass/fail" on the chart; and a copy of the calibration sheet (minimum every 6 months) from the used chart recorder that is scanned into the OCD's well file as confirmation that the MIT requirement has been met.

Please contact Mr. Carl Chavez of my staff at (505) 476-3490 or CarlJ.Chavez@state.nm.us to schedule an MIT for your injection wells to be completed before December 31, 2011. Failure to meet this date may result in escalated enforcement actions. Thank you in advance for your cooperation in this matter

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", is written over a horizontal line.

Daniel Sanchez
UIC Director

DS/cjc

