



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Oil Conservation Division

*Underground Injection Control Program
"Protecting Our Underground Sources of Drinking Water"*

29-Mar-04

MERIT ENERGY CO

12222 MERIT DR

STE 1500

DALLAS TX 75251-0000

**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(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

H E WEST A No.005

30-015-05064-00-00

Active Injection - (All Types)

J-4-17S-31E

Test Date: 3/23/2004 2:00:29 PM

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 6/26/2004

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Shut-in. No flowline. Tubing pressure is over max injection pressure.

H E WEST A No.007

30-015-05066-00-00

Active Injection - (All Types)

I-4-17S-31E

Test Date: 3/23/2004 12:46:45 PM

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 6/26/2004

Test Type: Bradenhead Test

FAIL TYPE: Other External Failure

FAIL CAUSE:

Comments on MIT: SHUT-IN-Unable to access bradenhead/casing valves.

H E WEST A No.009

30-015-05067-00-00

Active Injection - (All Types)

I-4-17S-31E

Test Date: 3/23/2004 2:06:38 PM

Permitted Injection PSI:

Actual PSI: 2000

Test Reason: Annual IMIT

Test Result: F

Repair Due: 6/26/2004

Test Type: Bradenhead Test

FAIL TYPE: Other External Failure

FAIL CAUSE:

Comments on MIT: Casing valve open upon arrival. Valves required to be closed 24 hrs prior to test. Well must be shut-in and scheduled for re-test.

H E WEST B No.003**30-015-05068-00-00**

3-4-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 12:53:52 PM Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Casing FAIL CAUSE:
Comments on MIT: SHUT-IN. Slight continuous water flow from int casing valve.

H E WEST B No.006**30-015-05070-00-00**

E-4-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 1:03:24 PM Permitted Injection PSI: Actual PSI: 1850
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Other External Failure FAIL CAUSE:
Comments on MIT: Casing valves open upon arrival. Valves are required to be closed 24 hrs prior to test. Well must be shut-in and scheduled for retest.

H E WEST B No.012**30-015-05118-00-00**

G-9-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 10:23:10 AM Permitted Injection PSI: Actual PSI: 2150
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Permit Violation FAIL CAUSE:
Comments on MIT: Over pressure limit

H E WEST B No.017**30-015-05119-00-00**

I-9-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 10:29:30 AM Permitted Injection PSI: Actual PSI: 1625
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Tubing FAIL CAUSE:
Comments on MIT: Continous blow on surface valve.

H E WEST B No.015**30-015-05124-00-00**

G-10-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 11:10:33 AM Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Casing FAIL CAUSE:
Comments on MIT: SHUT-IN. Slight continuous water flow from int casing valve.

H E WEST B No.019**30-015-05125-00-00**

C-10-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 11:06:56 AM Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Other External Failure FAIL CAUSE:
Comments on MIT: SHUT-IN. Casing valves open upon arrival. Valves are required to be closed 24 hrs prior to test. Well must be or remain shut in and scheduled for re-test.

H E WEST B No.021**30-015-05127-00-00**

M-10-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 11:24:26 AM Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Other External Failure FAIL CAUSE:
Comments on MIT: SHUT-IN. Intermediate casing valve open upon arrival. Valves are required to be closed 24 hrs prior to test.

TURNER B No.002**30-015-05182-00-00**

M-17-17S-31E

Active Injection - (All Types)
Test Date: 3/23/2004 9:11:40 AM Permitted Injection PSI: Actual PSI: 1750
Test Reason: Annual IMIT Test Result: F Repair Due: 6/26/2004
Test Type: Bradenhead Test FAIL TYPE: Permit Violation FAIL CAUSE:
Comments on MIT: Well is overpressured

TURNER B No.004**30-015-05183-00-00****Active Injection - (All Types)****N-17-17S-31E**

Test Date:	3/23/2004 9:52:52 AM	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Casing	FAIL CAUSE:	
Comments on MIT:	SHUT-IN. Slight continuous water flow from int casing valve.				

TURNER B No.030**30-015-05186-00-00****Active Injection - (All Types)****P-17-17S-31E**

Test Date:	3/23/2004 9:24:46 AM	Permitted Injection PSI:		Actual PSI:	1550
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Tubing	FAIL CAUSE:	
Comments on MIT:	Well is overpressured. Continuous water flow at surface valve.				

TURNER B No.042**30-015-05278-00-00****Active Injection - (All Types)****E-20-17S-31E**

Test Date:	3/23/2004 9:06:05 AM	Permitted Injection PSI:		Actual PSI:	1720
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Permit Violation	FAIL CAUSE:	
Comments on MIT:	Well is overpressured				

H E WEST B No.030**30-015-10705-00-00****Active Injection - (All Types)****K-9-17S-31E**

Test Date:	3/23/2004 10:37:03 AM	Permitted Injection PSI:		Actual PSI:	1950
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Tubing	FAIL CAUSE:	
Comments on MIT:	Continous blow on Surface Valve. Well must be shut-in and repaired.				

J L KEEL B No.040**30-015-25940-00-00****Active Injection - (All Types)****5-6-17S-31E**

Test Date:	3/23/2004 10:54:51 AM	Permitted Injection PSI:		Actual PSI:	2650
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Permit Violation	FAIL CAUSE:	
Comments on MIT:	Well is overpressured. Well must be shut-in or pressure reduced to permit allowable.				

H E WEST A No.014**30-015-25999-00-00****Active Injection - (All Types)****O-4-17S-31E**

Test Date:	3/23/2004 1:52:34 PM	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Permit Violation	FAIL CAUSE:	
Comments on MIT:	SHUT-IN.Tubing pressure is over max injection pressure.				

H E WEST A No.017**30-015-26212-00-00****Active Injection - (All Types)****P-4-17S-31E**

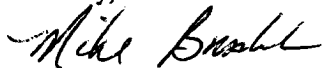
Test Date:	3/23/2004 1:56:00 PM	Permitted Injection PSI:		Actual PSI:	2050
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Permit Violation	FAIL CAUSE:	
Comments on MIT:	Well is overpressured				

H E WEST B No.055**30-015-27111-00-00****Active Injection - (All Types)****K-3-17S-31E**

Test Date:	3/23/2004 12:09:47 PM	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	6/26/2004
Test Type:	Bradenhead Test	FAIL TYPE:	Other External Failure	FAIL CAUSE:	
Comments on MIT:	SHUT-IN. Surface valve open upon arrival. Valves required to be closed 24 hrs prior to test. Well must be shut-in and scheduled for re-test.				

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.