



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

June 21, 2006

## LETTER OF VIOLATION (2062)

Marbob Energy Corp.  
P.O. Box 227  
Artesia, New Mexico 88211-0227

Re: *Facility:* E. L. Federal #8, API No. 30-015-30262  
*Violations:* OCD Rule 703 [19.15.9.703 NMAC]  
OCD Rule 704 [19.15.9.704 NMAC]  
OCD Rule 1103 [19.15.13.1103 NMAC]

Dear Operator:

Oil Conservation Division ("OCD") Rule 703 [19.15.9.703 NMAC] requires injection wells to be "equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical integrity which will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement through vertical channels adjacent to the well bore." To assure continued mechanical integrity of these wells, OCD Rule 704.A(2) requires that every five years the well be tested.

On April 5, 2005, OCD Deputy Oil and Gas Inspector Gerry Guye inspected the Marbob Energy Corporation ("Marbob") injection well identified above. The well failed the required mechanical integrity test ("MIT"). At the time of failure and pursuant to OCD Rule 703.E, Inspector Guye gave verbal instruction to the Marbob representative on location to immediately shut in the well; it was to remain shut in until the well had been brought into compliance.

As formalization of the verbal instruction, the OCD sent to Marbob a letter dated April 5, 2005, confirming that the well had failed inspection and identifying the nature of the failure. Marbob was instructed to repair the failure by July 9, 2005, so the well could be re-tested. A copy of the letter is enclosed.

Nothing further was received from Marbob. This indicated to the OCD that the well had been repaired and was to be retested.

On March 8, 2006 the well was again scheduled for testing by the OCD. However, a Marbob representative informed the OCD that Marbob had taken no action to bring the well into compliance. This meant that the well had now been inactive for almost one year.

After a year of continuous non-injection, an injection well is considered abandoned and authority for injection is automatically terminated *ipso facto*. OCD Rule 705.C [19.15.9.705.C]. By letter dated March 10, 2006, the OCD notified Marbob that the well had been inactive for an extended period of time, and instructed Marbob to bring the well into compliance by March 20, 2006. A copy of this letter is enclosed.

On the same date, March 10, 2006, the OCD received from Marbob a Sundry Notice and Report on Wells (C-103), dated March 7, 2006, indicating the well had been tested. In direct indifference to the OCD's April 5, 2005 letter instructing Marbob to give the OCD forty-eight hour notice prior to retesting, Marbob failed to advise the OCD that the well had been repaired or that it was to be retested. This is a violation of OCD Rules 1103.A(1)(e) [19.15.13.1103] (operator shall file a C-103 with the OCD and obtain its approval prior to performing remedial well work), and 704.A(5) [19.15.9.704.A(5)] (injection well operator shall advise the OCD of "the date and time any initial, five year, or special test are to be commenced in order that such tests may be witnessed"). Also, pursuant to OCD Rule 1103.G, within thirty (30) days of completing remedial work, the operator must file a C-103 with the OCD detailing the remedial work completed.

Finally, the C-103 and chart submitted by Marbob failed to meet OCD standards, in that it appeared the chart had not been calibrated (i.e., zeroed) prior to the test. The OCD inspector noted this concern on the C-103 on March 13, 2006.

The OCD is requiring a new witnessed MIT test on the impacted well.

Until then, the well **must be shut in** immediately pending receipt by this office of an approved MIT test. Your office **must** contact me within ten (10) days of the date of this letter at (505) 748-1283, ext. 105, to schedule a witnessed casing integrity pressure test on this well.

If this matter cannot be resolved administratively, the OCD may take further enforcement action, which may include an enforcement hearing before an OCD hearing examiner seeking an Order requiring that the wells be plugged and abandoned pursuant to NMSA 1978, § 70-2-14(B). That statute provides:

"If any of the requirements of the Oil and Gas Act or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited."

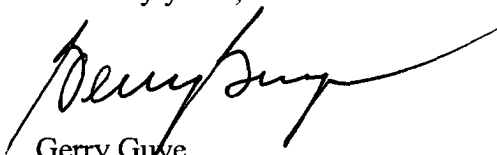
Marbob Energy Corp.

June 21, 2006

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Thank you for your assistance in this matter. If you have any questions please do not hesitate to call.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Gerry Guye', with a long, sweeping horizontal line extending to the right.

Gerry Guye  
Deputy Field Inspector  
District II - Artesia

cc: Bureau of Land Management  
Daniel Sanchez, OCD Compliance Manager  
Gail MacQuesten, OCD Assistant General Counsel  
Cheryl O'Connor, OCD Assistant General Counsel



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10-Mar-06

**MARBOB ENERGY CORP**

PO BOX 227

ARTESIA NM 88211-0227

**LETTER OF VIOLATION - Inactive Well(s)**

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 201 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 203, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 202, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, 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.

**IDLE WELL INSPECTION DETAIL SECTION**

<b>E L FEDERAL 008</b>	<b>P-21-17S-30E</b>	<b>30-015-30262-00-00</b>	<b>Inspection No. iGEG0602328683</b>
<b>Inspection Date:</b>	<b>3/8/2006 11:51:45 AM</b>	<b>Corrective Action Due by: 3/20/2006</b>	
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
<b>Bradenhead</b>	<b>Gerry Guye</b>	<b>Yes</b>	<b>No</b>
<b>Comments on Inspection:</b>	<b>No Action Taken To bring Well into Compliance.</b>		

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,

Artesia OCD District Office

\* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas.



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## CORRECTED COPY

*Underground Injection Control Program*

*"Protecting Our Underground Sources of Drinking Water"*

05-Apr-05

**MARBOB ENERGY CORP**

PO BOX 227

ARTESIA NM 88211-0227

## 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**

#### **DODD FEDERAL UNIT No.012**

**30-015-02950-00-00**

##### **Active Injection - (All Types)**

**P-11-17S-29E**

<b>Test Date:</b> 4/1/2005	<b>Permitted Injection PSI:</b>	<b>Actual PSI:</b> 1500
<b>Test Reason:</b> 5-year Test	<b>Test Result:</b> F	<b>Repair Due:</b> 7/5/2005
<b>Test Type:</b> Std. Annulus Pres. Test	<b>FAIL TYPE:</b> Permit Violation	<b>FAIL CAUSE:</b>
<b>Comments on MIT:</b> Injection pressure over limit. 834:1500		

#### **DODD FEDERAL UNIT No.021**

**30-015-02994-00-00**

##### **Active Injection - (All Types)**

**B-15-17S-29E**

<b>Test Date:</b> 4/4/2005	<b>Permitted Injection PSI:</b>	<b>Actual PSI:</b>
<b>Test Reason:</b> 5-year Test	<b>Test Result:</b> F	<b>Repair Due:</b> 7/8/2005
<b>Test Type:</b> Std. Annulus Pres. Test	<b>FAIL TYPE:</b> Behind CSG Flow	<b>FAIL CAUSE:</b>
<b>Comments on MIT:</b> Communication between casing & BH.		

#### **BURCH KEELY UNIT No.081**

**30-015-03060-00-00**

##### **Active Injection - (All Types)**

**I-23-17S-29E**

<b>Test Date:</b> 3/29/2005	<b>Permitted Injection PSI:</b>	<b>Actual PSI:</b> 925
<b>Test Reason:</b> 5-year Test	<b>Test Result:</b> F	<b>Repair Due:</b> 7/2/2005
<b>Test Type:</b> Std. Annulus Pres. Test	<b>FAIL TYPE:</b> Casing	<b>FAIL CAUSE:</b>
<b>Comments on MIT:</b> Well will not hold pressure		

**BURCH KEELY UNIT No.168****30-015-03132-00-00****Active Injection - (All Types)****F-26-17S-29E****Test Date:** 3/30/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** Post Workover Test**Test Result:** F**Repair Due:** 7/3/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**BURCH KEELY UNIT No.038****30-015-20386-00-00****Active Injection - (All Types)****C-23-17S-29E****Test Date:** 4/1/2005**Permitted Injection PSI:****Actual PSI:** 890**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 7/5/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**BURCH KEELY UNIT No.101****30-015-20794-00-00****Active Injection - (All Types)****O-19-17S-30E****Test Date:** 3/30/2005**Permitted Injection PSI:****Actual PSI:** 890**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 7/3/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**BURCH KEELY UNIT No.094****30-015-22092-00-00****Active Injection - (All Types)****K-19-17S-30E****Test Date:** 3/30/2005**Permitted Injection PSI:****Actual PSI:** 800**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 7/3/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**E L FEDERAL No.008****30-015-30262-00-00****Active Salt Water Disposal Well****P-21-17S-30E****Test Date:** 4/5/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 7/9/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure

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.