



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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16-Apr-07

MERIT ENERGY CO

13727 Noel Road, Suite 500

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LOV NO. 0210207

**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

H E WEST B No.016

30-015-05056-00-00

Active Injection - (All Types)

M-3-17S-31E

Test Date: 4/10/2007

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 7/14/2007

Test Type: Bradenhead Test

FAIL TYPE: Operational Violation

FAIL CAUSE:

Comments on MIT: No injection line - unable to test..

H E WEST A No.005

30-015-05064-00-00

Active Injection - (All Types)

J-4-17S-31E

Test Date: 4/10/2007

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 7/14/2007

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit

J L KEEL B No.009

30-015-05076-00-00

Active Injection - (All Types)

H-5-17S-31E

Test Date: 4/4/2007

Permitted Injection PSI:

Actual PSI: 1940

Test Reason: Annual IMIT

Test Result: F

Repair Due: 7/8/2007

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit

J L KEEL B No.011**30-015-05077-00-00**

N-5-17S-31E

Expired TA Injection - (All Types)
Test Date: 4/10/2007 Permitted Injection PSI:
Test Reason: Annual IMIT Test Result: F
Test Type: Bradenhead Test FAIL TYPE: Operational Violation
Comments on MIT: Unable to test. TA expired on 02-10-2007

Actual PSI:
Repair Due: 7/14/2007
FAIL CAUSE:

J L KEEL B No.023**30-015-05086-00-00**

N-6-17S-31E

Active Injection - (All Types)
Test Date: 4/4/2007 Permitted Injection PSI:
Test Reason: Annual IMIT Test Result: F
Test Type: Bradenhead Test FAIL TYPE: Permit Violation
Comments on MIT: Injection pressure over limit

Actual PSI: 1750
Repair Due: 7/8/2007
FAIL CAUSE:

J L KEEL A No.004**30-015-05092-00-00**

K-7-17S-31E

Active Injection - (All Types)
Test Date: 4/4/2007 Permitted Injection PSI:
Test Reason: Annual IMIT Test Result: F
Test Type: Bradenhead Test FAIL TYPE: Permit Violation
Comments on MIT: Injection pressure over limit

Actual PSI:
Repair Due: 7/8/2007
FAIL CAUSE:

J L KEEL B No.003**30-015-05104-00-00**

N-8-17S-31E

Active Injection - (All Types)
Test Date: 4/5/2007 Permitted Injection PSI:
Test Reason: 5-year Test Test Result: F
Test Type: Std. Annulus Pres. Test FAIL TYPE: Permit Violation
Comments on MIT: Injection pressure over limit

Actual PSI: 1760
Repair Due: 7/9/2007
FAIL CAUSE:

H E WEST B No.024**30-015-05128-00-00**

A-10-17S-31E

Active Injection - (All Types)
Test Date: 4/10/2007 Permitted Injection PSI:
Test Reason: Annual IMIT Test Result: F
Test Type: Bradenhead Test FAIL TYPE: Casing
Comments on MIT: Continuous flow from casing valve indicating possible casing leak.

Actual PSI:
Repair Due: 7/14/2007
FAIL CAUSE:

TURNER B No.030**30-015-05186-00-00**

P-17-17S-31E

Active Injection - (All Types)
Test Date: 4/3/2007 Permitted Injection PSI:
Test Reason: Annual IMIT Test Result: F
Test Type: Bradenhead Test FAIL TYPE: Permit Violation
Comments on MIT: Injection pressure over limit

Actual PSI: 1500
Repair Due: 7/7/2007
FAIL CAUSE:

C A RUSSELL No.006**30-015-05219-00-00**

C-18-17S-31E

Active Injection - (All Types)
Test Date: 4/9/2007 Permitted Injection PSI:
Test Reason: Annual IMIT Test Result: F
Test Type: Bradenhead Test FAIL TYPE: Permit Violation
Comments on MIT: Injection pressure over limit

Actual PSI:
Repair Due: 7/13/2007
FAIL CAUSE:

TURNER A No.014**30-015-05239-00-00**

E-19-17S-31E

Active Injection - (All Types)
Test Date: 4/3/2007 Permitted Injection PSI:
Test Reason: Annual IMIT Test Result: F
Test Type: Bradenhead Test FAIL TYPE: Casing
Comments on MIT: Continuous water flow from casing valve indicating possible hole in casing.

Actual PSI: 1800
Repair Due: 7/7/2007
FAIL CAUSE:

TURNER B No.067**30-015-05300-00-00****Active Injection - (All Types)****L-20-17S-31E**

Test Date: 4/5/2007 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/9/2007
Test Type: Bradenhead Test **FAIL TYPE:** Casing **FAIL CAUSE:**
Comments on MIT: No injection line connected, unable to test. Continuous flow from casing valve indicating a casing leak.

TURNER B No.054**30-015-05443-00-00****Active Injection - (All Types)****F-29-17S-31E**

Test Date: 4/5/2007 **Permitted Injection PSI:** **Actual PSI:** 1650
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/9/2007
Test Type: Bradenhead Test **FAIL TYPE:** Casing **FAIL CAUSE:**
Comments on MIT: Continuous flow from casing valve indicating possible casing leak.

MAX FRIESS MA No.001**30-015-05459-00-00****Active Injection - (All Types)****B-30-17S-31E**

Test Date: 4/5/2007 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/9/2007
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Injection pressure over limit. Injection line under repair.

C A RUSSELL No.011**30-015-21258-00-00****Active Injection - (All Types)****C-18-17S-31E**

Test Date: 4/3/2007 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/7/2007
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Injection pressure over limit

J L KEEL A No.016**30-015-25423-00-00****Active Injection - (All Types)****F-7-17S-31E**

Test Date: 4/4/2007 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/8/2007
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Injection pressure over limit

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

Test Date: 4/9/2007 **Permitted Injection PSI:** **Actual PSI:** 1850
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/13/2007
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Injection pressure over limit

H E WEST B No.036**30-015-25995-00-00****Active Injection - (All Types)****H-9-17S-31E**

Test Date: 4/10/2007 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/14/2007
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Injection pressure over limit

J L KEEL A No.030**30-015-28306-00-00****Active Injection - (All Types)****O-7-17S-31E**

Test Date: 4/4/2007 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 7/8/2007
Test Type: Bradenhead Test **FAIL TYPE:** Permit Violation **FAIL CAUSE:**
Comments on MIT: Injection pressure over limit

Active Injection - (All Types)

J-19-17S-31E

Test Date: 4/5/2007

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 7/9/2007

Test Type: Bradenhead Test

FAIL TYPE: Operational Violation

FAIL CAUSE:

Comments on MIT: Injection line under repair. Unable to 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.