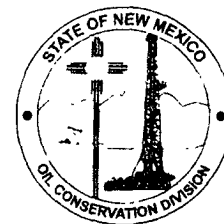


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New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet SecretaryMark Fesmire
Division Director
Oil Conservation Division

01-May-09

30.015.05216

LOV NO. 02-09-017

MERIT ENERGY COMPANY, LLC
13727 NOEL ROAD, SUITE 500
DALLAS TX 75240-**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 A No.007****30-015-05066-00-00**

Active Injection - (All Types)

A-4-17S-31E

Test Date:	4/29/2009	Permitted Injection PSI:	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	Repair Due:
Test Type:	Bradenhead Test	FAIL TYPE: Other Internal Failure	FAIL CAUSE:
Comments on MIT: Continuous blow of fluid from casing valve. Well shut-in.			

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

Active Injection - (All Types)

N-6-17S-31E

Test Date:	4/28/2009	Permitted Injection PSI: 1676	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	Repair Due:
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation	FAIL CAUSE:
Comments on MIT: Injection pressure over limit. Shut-in.			

J L KEEL B No.024**30-015-05087-00-00**

Active Injection - (All Types)

F-6-17S-31E

Test Date:	4/28/2009	Permitted Injection PSI: 1702	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	Repair Due:
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation	FAIL CAUSE:
Comments on MIT: Injection pressure over limit. Shut-in.			

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505

Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD

J L KEEL A No.003

Active Injection - (All Types)

30-015-05091-00-00

N-7-17S-31E

Test Date: 4/28/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Continuous blow of fluid from casing valve Shut-in

Permitted Injection PSI:
 Test Result: F
 FAIL TYPE: Tubing

Actual PSI:
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL A No.004

Active Injection - (All Types)

30-015-05092-00-00

K-7-17S-31E

Test Date: 4/28/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Injection pressure over limit. Shut-in.

Permitted Injection PSI: 1640
 Test Result: F
 FAIL TYPE: Permit Violation

Actual PSI: 1740
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL A No.011

Active Injection - (All Types)

30-015-05099-00-00

H-7-17S-31E

Test Date: 4/28/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Injection pressure over limit. Shut-in.

Permitted Injection PSI: 1862
 Test Result: F
 FAIL TYPE: Permit Violation

Actual PSI: 1960
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL B No.003

Active Injection - (All Types)

30-015-05104-00-00

N-8-17S-31E

Test Date: 4/28/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Injection pressure over limit. Shut-in.

Permitted Injection PSI: 1665
 Test Result: F
 FAIL TYPE: Permit Violation

Actual PSI: 1800
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL B No.005

Active Injection - (All Types)

30-015-05106-00-00

L-8-17S-31E

Test Date: 4/28/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Injection pressure over limit. Shut-in.

Permitted Injection PSI: 1703
 Test Result: F
 FAIL TYPE: Permit Violation

Actual PSI: 1850
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL B No.007

Active Injection - (All Types)

30-015-05108-00-00

C-8-17S-31E

Test Date: 4/28/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Continuous blow of fluids from casing valve. Shut-in.

Permitted Injection PSI:
 Test Result: F
 FAIL TYPE: Tubing

Actual PSI: 1770
 Repair Due: 8/1/2009
 FAIL CAUSE:

H E WEST B No.014

Active Injection - (All Types)

30-015-05123-00-00

K-10-17S-31E

Test Date: 4/29/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Continuous blow of fluid from casing valve. Shut-in.

Permitted Injection PSI:
 Test Result: F
 FAIL TYPE: Other Internal Failure

Actual PSI: 2000
 Repair Due: 8/2/2009
 FAIL CAUSE:

TURNER B No.030

Active Injection - (All Types)

30-015-05186-00-00

P-17-17S-31E

Test Date: 4/27/2009
 Test Reason: Annual IMIT
 Test Type: Bradenhead Test
 Comments on MIT: Injection pressure over limit. Shut-in.

Permitted Injection PSI: 1401
 Test Result: F
 FAIL TYPE: Permit Violation

Actual PSI: 1500
 Repair Due: 7/31/2009
 FAIL CAUSE:

TURNER A No.003

	Active Injection - (All Types)	30-015-05211-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1652	K-18-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1800
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

TURNER A No.011

	Active Injection - (All Types)	30-015-05215-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1630	P-18-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1700
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

TURNER A No.013

	Active Injection - (All Types)	30-015-05216-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1628	I-18-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1700
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

TURNER A No.012

	Active Injection - (All Types)	30-015-05238-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1683	A-19-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1800
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

TURNER B No.043

	Active Injection - (All Types)	30-015-05314-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1721	M-20-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1800
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

MAX FRIESS MA No.001

	Active Injection - (All Types)	30-015-05459-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1612	B-30-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1750
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

TURNER B No.053

	Active Injection - (All Types)	30-015-05472-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1692	I-30-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1800
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

H E WEST B No.030

	Active Injection - (All Types)	30-015-10705-00-00
Test Date: 4/29/2009	Permitted Injection PSI:	K-9-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 2000
Test Type: Bradenhead Test	FAIL TYPE: Other Internal Failure	Repair Due: 8/2/2009
Comments on MIT: Continuous blow of fluid from casing valve. Shut-in.		FAIL CAUSE:

TURNER B No.079

Active Injection - (All Types)
 Test Date: 4/27/2009 Permitted Injection PSI: 1835
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-20109-00-00

K-20-17S-31E
 Actual PSI: 1900
 Repair Due: 7/31/2009
 FAIL CAUSE:

J L KEEL B No.031

Active Injection - (All Types)
 Test Date: 4/28/2009 Permitted Injection PSI: 1712
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-25247-00-00

G-6-17S-31E
 Actual PSI: 1830
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL B No.034

Active Injection - (All Types)
 Test Date: 4/28/2009 Permitted Injection PSI: 1720
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-25447-00-00

H-6-17S-31E
 Actual PSI: 1850
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL B No.038

Active Injection - (All Types)
 Test Date: 4/28/2009 Permitted Injection PSI: 1838
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-25919-00-00

I-6-17S-31E
 Actual PSI: 1900
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL B No.042

Active Injection - (All Types)
 Test Date: 4/28/2009 Permitted Injection PSI: 1707
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-25974-00-00

K-6-17S-31E
 Actual PSI: 1850
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL B No.045

Active Injection - (All Types)
 Test Date: 4/28/2009 Permitted Injection PSI: 1859
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-26066-00-00

G-5-17S-31E
 Actual PSI: 1950
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL A No.028

Active Injection - (All Types)
 Test Date: 4/28/2009 Permitted Injection PSI: 1690
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-28231-00-00

J-7-17S-31E
 Actual PSI: 1800
 Repair Due: 8/1/2009
 FAIL CAUSE:

J L KEEL A No.030

Active Injection - (All Types)
 Test Date: 4/28/2009 Permitted Injection PSI: 1760
 Test Reason: Annual IMIT Test Result: F
 Test Type: Bradenhead Test FAIL TYPE: Permit Violation
 Comments on MIT: Injection pressure over limit. Shut-in.

30-015-28306-00-00

O-7-17S-31E
 Actual PSI: 1760
 Repair Due: 8/1/2009
 FAIL CAUSE:

May 1, 2009

Page 5

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.

Sincerely,

A handwritten signature in black ink that reads "Richard Inge". The signature is written in a cursive, slightly slanted style.

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.