

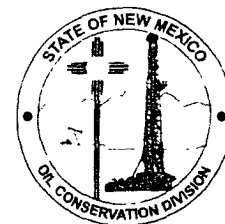
7008 1140 0001 4145 1742

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



01-May-09

MERIT ENERGY COMPANY, LLC
13727 NOEL ROAD, SUITE 500
DALLAS TX 75240

LOV NO. 02-09-017

30.015.10705

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: F

Repair Due: 8/2/2009

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: 1800

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

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: 1850

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.



J L KEEL A No.003

	Active Injection - (All Types)	30-015-05091-00-00 N-7-17S-31E
Test Date:	4/28/2009	Permitted Injection PSI:
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Tubing
Comments on MIT:	Continuous blow of fluid from casing valve. Shut-in.	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	Permitted Injection PSI: 1640
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	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	Permitted Injection PSI: 1862
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	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	Permitted Injection PSI: 1665
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	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	Permitted Injection PSI: 1703
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	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	Permitted Injection PSI:
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Tubing
Comments on MIT:	Continous blow of fluids from casing valve. Shut-in.	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	Permitted Injection PSI:
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Other Internal Failure
Comments on MIT:	Continuous blow of fluid from casing valve. Shut-in.	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	Permitted Injection PSI: 1401
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1500 Repair Due: 7/31/2009 FAIL CAUSE:

TURNER A No.003

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

TURNER A No.011

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

TURNER A No.013

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

TURNER A No.012

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

TURNER B No.043

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

MAX FRIESS MA No.001

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

TURNER B No.053

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

H E WEST B No.030

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

TURNER B No.079

Active Injection - (All Types)

30-015-20109-00-00

K-20-17S-31E

Test Date: 4/27/2009

Permitted Injection PSI: 1835

Actual PSI: 1900

Test Reason: Annual IMIT

Test Result: F

Repair Due: 7/31/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

J L KEEL B No.031

Active Injection - (All Types)

30-015-25247-00-00

G-6-17S-31E

Test Date: 4/28/2009

Permitted Injection PSI: 1712

Actual PSI: 1830

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

J L KEEL B No.034

Active Injection - (All Types)

30-015-25447-00-00

H-6-17S-31E

Test Date: 4/28/2009

Permitted Injection PSI: 1720

Actual PSI: 1850

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

J L KEEL B No.038

Active Injection - (All Types)

30-015-25919-00-00

I-6-17S-31E

Test Date: 4/28/2009

Permitted Injection PSI: 1838

Actual PSI: 1900

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

J L KEEL B No.042

Active Injection - (All Types)

30-015-25974-00-00

K-6-17S-31E

Test Date: 4/28/2009

Permitted Injection PSI: 1707

Actual PSI: 1850

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

J L KEEL B No.045

Active Injection - (All Types)

30-015-26066-00-00

G-5-17S-31E

Test Date: 4/28/2009

Permitted Injection PSI: 1859

Actual PSI: 1950

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

J L KEEL A No.028

Active Injection - (All Types)

30-015-28231-00-00

J-7-17S-31E

Test Date: 4/28/2009

Permitted Injection PSI: 1690

Actual PSI: 1800

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

J L KEEL A No.030

Active Injection - (All Types)

30-015-28306-00-00

O-7-17S-31E

Test Date: 4/28/2009

Permitted Injection PSI: 1760

Actual PSI: 1760

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/1/2009

Test Type: Bradenhead Test

FAIL TYPE: Permit Violation

FAIL CAUSE:

Comments on MIT: Injection pressure over limit. Shut-in.

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,

Handwritten signature of Richard Inge in black ink.

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.