



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

File
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8 August 2002

Via Certified Mail

G P II Energy, Inc.
P.O. Box 50682
Midland, Texas 79710

RE: NOTICE OF VIOLATION: NMOCD Rule 19.15.9.703 and 19.15.9.705
G P II Energy, Inc.
Burnham Grayburg SA Ut #3 H-2-17-30 API# 30-015-04058
Featherstone # 5 C-2-17-31 API# 30-015-05034
Federal KK # 1 P-3-17-30 API# 30-015-20315
Federal Q # 1 D-3-17-30 API# 30-015-04068

Dear Sirs:

This letter shall serve as a Notice of Violation of the rules of the New Mexico Oil Conservation Division.

All of these wells failed a MIT in February 2000 and G P II Energy, Inc. was notified verbally at that time. G P II Energy, Inc. was by letters dated 4 -5-2002, 5-31-2002, and 6-4-2002 notified about this matter. This certified letter is being sent in part because all directives have brought no response. The OCD is in receipt of C-103 forms dated 3-9-2001 and 6-5-2002 indicating work will be done "when rig becomes available". Inspections in July and August found no work had been done.

Rule 19.15.9.703 of the New Mexico Oil Conservation Division provides as follows:

19.15.9.703 OPERATION AND MAINTENANCE

- A. Injection wells shall 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.
- B. Injection project, including injection wells and producing wells and all related surface facilities shall be operated and maintained at all times in such a manner as will confine the injected fluids to the interval or intervals approved and prevent surface damage or pollution resulting from leaks, breaks, or spills.
- C. Failure of any injection well, producing well, or surface facility, which failure may endanger underground sources of drinking water, shall be reported under the "Immediate Notification" procedure of Rule 116.
- D. Injection well or producing well failures requiring casing repair or cementing are to be reported to the Division prior to commencement of workover operations.
- E. Injection wells or projects which have exhibited failure to confine injected fluids to the authorized injection zone or zones may be subject to restriction of injection volume and pressure, or shutin, until the failure has been identified and corrected.

[7-1-81...2-1-96; 19.15.9.703 NMAC - Rn, 19 NMAC 15.1.703, 11-30-00]

Rule 19.15.9.705 of the New Mexico Oil Conservation Division provides as follows:

19.15.9.705 COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS

A. The following provisions apply to all injection projects, storage projects, salt water disposal wells and special purpose injection wells:

B. Notice of Commencement and Discontinuance

(1) Immediately upon the commencement of injection operations in any well, the operator shall notify the Division of the date such operations began.

(2) Within 30 days after permanent cessation of gas or liquefied petroleum gas storage operations or within 30 days after discontinuance of injection operations into any other well, the operator shall notify the Division of the date of such discontinuance and the reasons therefor. No injection well may be temporarily abandoned for a period exceeding one year unless the injection interval has been isolated by use of cement or a bridge plug. The Director of the Division may delay the cement or bridge plug requirements above upon a demonstration that there is a continuing need for such a well, that the well exhibits mechanical integrity, and that continued temporary abandonment will not endanger underground sources of drinking water.

(3) Before any injection well is plugged, the operator shall obtain approval for the well's plugging program from the appropriate District Office of the Division in the same manner as when plugging oil and gas wells or dry holes.

C. Abandonment of Injection Operations

(1) Whenever there is a continuous one year period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.

(2) For good cause shown, the Division Director may grant an administrative extension or extensions of injection authority as an exception to Subsection C, Paragraph (1) above of 19.15.9.705 NMAC.

[1-1-50...2-1-96; 19.15.9.705 NMAC - Rn, 19 NMAC 15.I.705, 11-30-00; A, 11-30-00]

In the event that a satisfactory response is not received to this letter of direction by 1 September, 2002 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.

Respectfully yours,

Tim Gurn, District Supervisor, District II
cc: OCD Legal