



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

*Integrated Injection Control Process
Success: Good Integrated Seals, No Fracturing, No*

17-Dec-07

DUGAN PRODUCTION CORP

PO BOX 420

FARMINGTON NM 87499-

**NOTICE of Failed
Mechanical Integrity**

Dear Operator:

The bradenhead test(s) reported on the following well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. 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 you and/or an OCD Compliance Officer employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the full 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 a Compliance Officer may witness the test.

MECHANICAL INTEGRITY TEST DETAIL SECTION

GINTHER GAS COM No.002

30-045-06512-00-00

Active Gas (Producing)

K-13-27N-13W

Test Date: 12/17/2007

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 3/21/2008

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: TSTM@ 5, 10, &15. 5 minute shut-in = 32psi

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, enforcement action will occur. Such enforcement may include this office issuing a NOTICE OF VIOLATION with a penalty and/or 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 for your violation of OCD rules.

Sincerely,

Shelly Cawden

Aztec OCD District Office

Note: Bradenhead Tests are performed every 3 years. 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

Oil Conservation Division * 1000 Rio Brazos Road * Aztec, New Mexico 87410

Phone: 505-334-6178 * Fax: 505-334-6170 * <http://www.emnrd.state.nm.us>



BRADENHEAD TEST REPORT

(submit 1 copy to above address)

Date of Test 12/17/07 Operator Dugan Prod. Corp API # 30-045-06512
Property Name Ginther Gas Co Well No. 2 Location: Unit K Section 13 Township 27 Range 13
Well Status (Shut-In or Producing) Initial PSI: Tubing 6 Intermediate Casing 6 Bradenhead 50

OPEN BRADENHEAD AND INTERMEDIATE TO ATMOSPHERE INDIVIDUALLY FOR 15 MINUTES EACH

Testing	PRESSURE			INTERM	
	BH	Bradenhead Int	Csg	Int	Csg
5 min	<u>Φ 1514</u>		<u>6</u>		
10 min	<u>Φ 1314</u>		<u>6</u>		
15 min	<u>Φ 1514</u>		<u>6</u>		
20 min					
25 min					
30 min					

FLOW CHARACTERISTICS	
BRADENHEAD	INTERMEDIATE
Steady Flow <u> </u>	
Surges <u> </u>	
Down to Nothing <u>✓ < 1 min</u>	
Nothing <u> </u>	
Gas <u>✓</u>	
Gas & Water <u> </u>	
Water <u> </u>	

If bradenhead flowed water, check all of the descriptions that apply below:

CLEAR FRESH SALTY SULFUR BLACK

RCVD DEC 17 '07
OIL CONS. DIV.
DIST. 3

5 MINUTE SHUT-IN PRESSURE

BRADENHEAD 32

INTERMEDIATE

REMARKS:

By [Signature]

Witness [Signature] NMCD

(Position)

Oil address