


October 10, 2008

RCVD OCT 15 '08  
OIL CONS. DIV.  
DIST. 3

Mr. Charlie Perrin  
District III Supervisor  
1000 Rio Brazos Road  
Aztec, New Mexico 87410

  
RE: Energen Resources – EUL Canyon SWD#1 – API No. 30-039-26214  
(Administrative Order SWD-761)

Mr. Perrin;

The NMOCD has required Energen Resources to investigate some Braden head Casing issue with the above referred SWD stemming from a failed MIT letter dated December 21, 2007 – listed below are the actions taken to date:

1. Data collected on an offset well Braden heads within a 1 mile radius.
2. A sample of the gas from each Braden head was collected.
3. The Braden head on the SWD was chart recorded and a gas sample collected for comparison with the offset well gas.

No conclusion could be drawn by this data – Energen again met with NMOCD and it was determined that a “Noise Log” should be ran – two logs were ran and both indicated the same anomaly at near 3,000 feet and 1,050 feet to surface – the logs were ran with the Braden head closed and open – the anomaly at 3,050 feet does not indicate any upward movement. The anomaly at 1,050 feet appears to be in connection with the anomaly at surface.

After presenting these results the following action plan was agreed to by NMOCD and Energen Resources:

1. Monitor the Braden head and surface-intermediate casing annulus with a two pen chart.
2. Collect gas samples monthly on the Braden head.

3. Obtain a sample of gathering line gas near the SWD to compare with the Braden head gas.
4. Obtain a POD approval from Carson National Forrest so that the Carracas and EUL canyon water gathering pipelines can be connected – this will allow Energen to continue operating the production that is effected by the EUL Canyon SWD#1 while the well is shut-down in the spring for further investigation and repair.

Energen Resources will keep the NMOCD informed of any changes that may occur on the SWD during this continued operation until the problem has been remediated.

Should you have any questions of need further information please contact me at 505.325.6800, Mr. Sam Mohler at 505.324.4135 or Mr. Pat Sanchez at 505.324.4141.

Sincerely;

A handwritten signature in black ink, appearing to read "Gary W. Brink", with a long horizontal flourish extending to the right.

Gary W. Brink  
General Manager, San Juan  
Energen Resources

Attached; letter from NMOCD Dated December 21, 2007

C: EUL Canyon well file, Sam Mohler, Pat Sanchez



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

*Underground Injection Control Program  
"Protecting Our Underground Sources of Drinking Water"*

RCVD OCT 15 '08

OIL CONS. DIV.

DIST. 3

21-Dec-07

**ENERGEN RESOURCES CORPORATION**

605 21ST STREET NORTH

BIRMINGHAM AL 35203-2707

**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***

**EUL CANYON SWD No.001**

**30-039-26214-00-00**

Active Salt Water Disposal Well

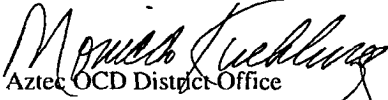
M-24-32N-6W

<b>Test Date:</b>	12/18/2007	<b>Permitted Injection PSI:</b>		<b>Actual PSI:</b>	
<b>Test Reason:</b>	Annual IMIT	<b>Test Result:</b>	F	<b>Repair Due:</b>	3/22/2008
<b>Test Type:</b>	Bradenhead Test	<b>FAIL TYPE:</b>	Other Internal Failure	<b>FAIL CAUSE:</b>	

**Comments on MIT:** bradenhead blew down in 30 seconds through 1/4 in valve - bradenhead started bubbling in 15 minutes then blurped chemical rest of test - shut-in pressure was 10 lbs - casing rose 60 lbs while test running 35 minutes - blew casing down to see if affected tubing - did not - tubing went from 138 to 160 by end of blow down of casing (Dan (foreman) and Darby (pumper) said bradenhead had had a gel squeeze since the test in June performed by Halliburton (maybe 10 gallons of gel mix went into bradenhead) prior to this test injection was shut-in at 3 a.m. Operator told to monitor casing (will put gauge on wellhead) 12-19 Henry and Charlie failed bradenhead test (told by Dan Button that Energen would be unable to get rig into well until April 1 2008 - asked operator to make top of list to get worked on as soon as gates were opened. (Asked operator to monitor bradenhead and casing)

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,

  
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.

CC: Well file  
D.L.