NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

19-Mar-10

SEELY OIL CO
815 W 10TH ST
FORT WORTH TX 76102-

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

E-K QUEEN UNIT No.024 — **30-025-02347-00-00**
Active Injection - (All Types) — M-19-18S-34E

Test Date:	3/18/2010	**Permitted Injection PSI:**		**Actual PSI:**	
Test Reason:	Annual IMIT	**Test Result:**	F	**Repair Due:**	6/21/2010
Test Type:	Bradenhead Test	**FAIL TYPE:**	Other Internal Failure	**FAIL CAUSE:**	

Comments on MIT: BHT FAILED; COMMUNICATION BETWEEEN TUBING AND CASING; TRIED TO BLEED CASING, TUBING COMMENCED TO BLEED DOWN AT SAME TIME.****OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11 *****

E-K PENROSE SAND UNIT No.802 — **30-025-24939-00-00**
Active Injection - (All Types) — N-20-18S-34E

Test Date:	3/18/2010	**Permitted Injection PSI:**		**Actual PSI:**	
Test Reason:	Annual IMIT	**Test Result:**	F	**Repair Due:**	6/21/2010
Test Type:	Std. Annulus Pres. Test	**FAIL TYPE:**	Other Internal Failure	**FAIL CAUSE:**	

Comments on MIT: FAILED PT; WOULD NOT HOLD PRESSURE; **** OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11 ****** WELL MUST REMAIN SHUT IN UNTIL OPERATOR REPAIRS WELL AND PERFORMS MECHANICAL INTEGRITY TEST;

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. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

Hobbs OCD District Office
COMPLIANCE OFFICER

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.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240

7005 3110 0000 2015 5903

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

CERTIFIED MAIL

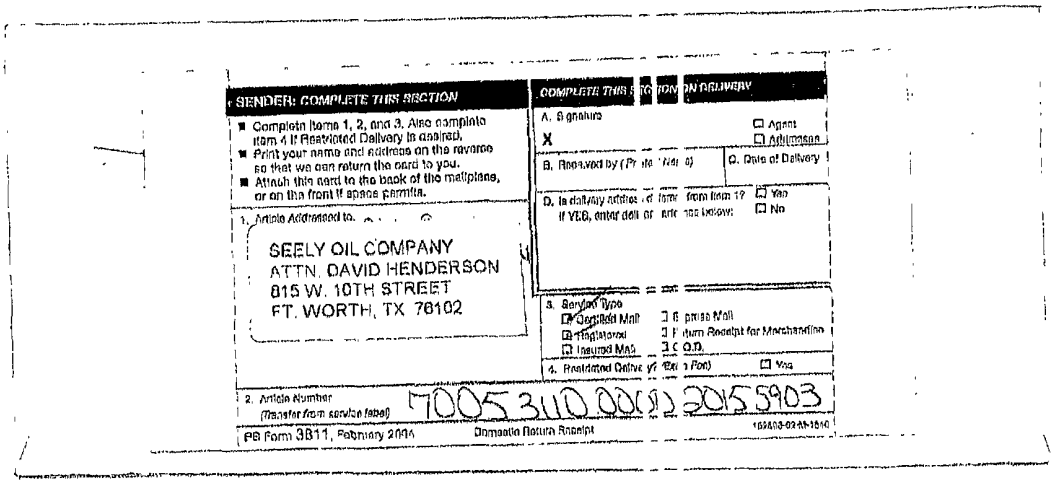
7005 3110 0000 2015 5903

017H16554812
$6.009
03/19/2010
Mailed From 88240

HASLER

US POSTAGE

SEELY OIL COMPANY
ATTN DAVID HENDERSON
815 W. 10TH STREET
FT. WORTH, TX 76102



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

SEELY OIL COMPANY
ATTN. DAVID HENDERSON
815 W. 10TH STREET
FT. WORTH, TX 76102

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X
☐ Agent
☐ Addressee

B. Received by (Printed Name)
C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 3110 0001 2015 5903

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540