

NEW MEXICO ENERGY, MINERALS NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

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Director

Oil Conservation Division

Underground Injection Control Frogram

"Protecting Our Underground Sources of Drinking Water"

15-Aug-05

CHESAPEAKE OPERATING, INC.

5014 CARLSBAD HWY

HOBBS NM 88240-0000

NOTICE 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

BENSON SHUGART WATERFLOOD UNIT No.034

30-015-10369-00-00 K-30-18S-31E

Test Date:

8/12/2005

Permitted Injection PSI:

Actual PSI:

Test Reason:

5-year Test

Test Result:

Repair Due: 11/15/2005

Test Type:

Std. Annulus Pres. Test

FAIL TYPE: Operational Violation

Active Salt Water Disposal Well

FAIL CAUSE:

Comments on MIT: No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule.

BENSON SHUGART WATERFLOOD UNIT No.008

30-015-23073-00-00 A-35-18S-30E

Active Injection - (All Types) **Permitted Injection PSI:**

Test Date: Test Reason: 8/12/2005

Actual PSI: Repair Due:

11/15/2005

11/15/2005

Test Type:

Annual IMIT Bradenhead Test Test Result: FAIL TYPE: Operational Violation

FAIL CAUSE:

No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule. Comments on MIT:

BENSON SHUGART WATERFLOOD UNIT No.005

30-015-23697-00-00

Active Injection - (All Types)

A-26-18S-30E

Test Date:

8/12/2005

Permitted Injection PSI:

Actual PSI:

Test Reason:

Annual IMIT

Test Result:

Repair Due:

Test Type:

Bradenhead Test

FAIL TYPE: Operational Violation

Comments on MIT:

FAIL CAUSE:

No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule.

BENSON SHUGART WATERFLOOD UNIT No.030

30-015-25966-00-00

Active Injection - (All Types)

M-30-18S-31E

Test Date: Test Reason: 8/12/2005

Permitted Injection PSI:

Actual PSI:

Test Result:

Repair Due:

11/15/2005

Test Type:

5-vear Test

Std. Annulus Pres. Test

FAIL TYPE: Operational Violation

FAIL CAUSE:

Comments on MIT:

No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule.

BENSON SHUGART WATERFLOOD UNIT No.019

30-015-26041-00-00

Active Injection - (All Types)

Test Date:

8/12/2005

Permitted Injection PSI:

Actual PSI:

N-25-18S-30E

Test Reason:

Repair Due:

11/15/2005

Test Type:

5-year Test

Test Result:

FAIL CAUSE:

Std. Annulus Pres. Test

FAIL TYPE: Operational Violation

Comments on MIT:

No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule.

BENSON SHUGART WATERFLOOD UNIT No.007

Active Injection - (All Types)

30-015-27546-00-00 I-26-18S-30E

Test Date:

8/12/2005

Permitted Injection PSI:

Actual PSI:

Test Reason:

Test Result:

Repair Due:

11/15/2005

Test Type:

5-year Test

Std. Annulus Pres. Test

FAIL TYPE: Operational Violation

FAIL CAUSE:

Comments on MIT: No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule.

BENSON SHUGART WATERFLOOD UNIT No.006

Active Injection - (All Types)

30-015-27644-00-00 H-26-18S-30E

Test Date:

8/12/2005

Permitted Injection PSI:

Actual PSI:

Test Reason:

5-year Test

Test Result:

Repair Due:

11/15/2005

Test Type:

Std. Annulus Pres. Test

FAIL TYPE: Operational Violation

Comments on MIT: No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule.

FAIL CAUSE:

BENSON SHUGART WATERFLOOD UNIT No.015

Active Injection - (All Types)

30-015-27712-00-00

Permitted Injection PSI:

Actual PSI:

L-25-18S-30E

Test Date: Test Reason:

8/12/2005

11/15/2005

Test Type:

5-year Test

Test Result:

Repair Due:

Std. Annulus Pres. Test Comments on MIT: No Company Rep to witness test. Well must be shut-in and remain shut-in pending reschedule.

FAIL TYPE: Operational Violation FAIL CAUSE:

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.

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.