

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop

Cabinet Secretary

Reese Fullerton

Deputy Cabinet Secretary

Mark Fesmire

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Oil Conservation Division



Response Required – Deadline Enclosed

21-Mar-08

TIPTON OIL & GAS ACQUISITIONS, INC.

P.O. BOX 1597

LOVINGTON NM 88260

ORBIT PETROLEUM, INC.

720 W. Wilshire

Suite 115

Oklahoma City, OK 73116

LOV NO. 02-08-047

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

TWIN LAKES SAN ANDRES UNIT No.035

30-005-60026-00-00

Expired TA Injection - (All Types)

K-36-8S-28E

Test Date: 3/20/2008

Permitted Injection PSI:

Actual PSI:

Test Reason: Standby or Idle Well Test

Test Result: F

Repair Due: 6/23/2008

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: As pumper started pressuring up, water shot out of the open tubing.

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505

Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



TWIN LAKES SAN ANDRES UNIT No.074

30-005-60248-00-00

Active Injection - (All Types)

K-1-9S-28E

Test Date: 3/19/2008
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test
Comments on MIT: Well will not hold pressure

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 6/22/2008
FAIL CAUSE:

TWIN LAKES SAN ANDRES UNIT No.002

30-005-60648-00-00

Active Injection - (All Types)

K-25-8S-28E

Test Date: 3/19/2008
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: Continuous Blow from casing valve.

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 6/22/2008
FAIL CAUSE:

TWIN LAKES SAN ANDRES UNIT No.076

30-005-60809-00-00

Active Injection - (All Types)

I-1-9S-28E

Test Date: 3/19/2008
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: Continuous Blow from casing valve.

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI: 700
Repair Due: 6/22/2008
FAIL CAUSE:

TWIN LAKES SAN ANDRES UNIT No.109

30-005-61772-00-00

Active Injection - (All Types)

J-12-9S-28E

Test Date: 3/20/2008
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test
Comments on MIT: well will not hold pressure. Told operator well must be shut-in.

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 6/23/2008
FAIL CAUSE:

NORTHEAST SQUARE LAKE PREMIER UNIT No.021

30-015-04837-00-00

Active Injection - (All Types)

G-10-16S-31E

Test Date: 3/21/2008
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test
Comments on MIT: Well will not hold pressure.

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 6/24/2008
FAIL CAUSE:

NORTHEAST SQUARE LAKE PREMIER UNIT No.025

30-015-04845-00-00

Expired TA Injection - (All Types)

I-10-16S-31E

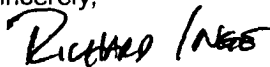
Test Date: 3/21/2008
Test Reason: Standby or Idle Well Test
Test Type: Std. Annulus Pres. Test
Comments on MIT: Operator reports well will not pressure up.

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 6/24/2008
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.