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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

01-May-09

NORDSTRAND ENGINEERING INC
3229 D'AMICO STREET, SUITE 200
HOUSTON TX 77019-

LOV NO. 02-09-018

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

WEST HENSHAW PREMIER UNIT No.004

30-015-03852-00-00

Active Injection - (All Types)

I-4-16S-30E

Test Date: 4/22/2009

Permitted Injection PSI:

Actual PSI: 350

Test Reason: Annual IMIT

Test Result: F

Repair Due: 7/26/2009

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: Continuous flow of fluid from casing valve. Well was shut-in.

WEST HENSHAW PREMIER UNIT No.002Z

30-015-03860-00-00

Active Injection - (All Types)

K-4-16S-30E

Test Date: 4/22/2009

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 7/26/2009

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: Casing would not pressure up. Finally water started coming up outside the casing.

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.



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Date 4/22/09

API # 30-0 15-03853

Dear Operator:

I have this date performed a Mechanical Integrity Test on the W. HENSHAW Premise UNIT IT.

☒ If this test was successful the original chart has been retained by the NMOCD and will be scanned into the well's file in 7 to 10 days, pending receipt of the Form C-103 indicating the reason for this test. The well files are located at www.emnrd.state.nm.us/ocd/OCDOnline.htm

☐ If this test was unsuccessful the original chart has been returned to the operator pending repair and retest of the well, which must be accomplished within 90 days. If this is a test of a repaired well, previously in non-compliance, all dates and requirements of the original non-compliance are still in effect. No expectation of extension should be construed as a result of this test.

☐ If this test was for Temporary Abandonment include in your detailed description, on Form C-103, the location of the CIBP and any other tubular goods in the well, as well as your request for TA status.

☐ If this is a successful test of a repaired well you must submit a form C-103 to NMOCD within 30 days. This C-103 must include a **detailed** description of the repair to the well. Only after receipt of the C-103 will the non-compliance be closed.

☐ If this is a successful Initial Test of an injection well you must submit a form C-103 to NMOCD within 30 days. This C-103 must include a **detailed** description of the work done on this well including the position of the packer, tubing information and the date you began injection into the well.

If I can be of additional service contact me at (505) 748-1283 ext 107.

Thank You,

Richard Inge

Richard Inge
Field Inspector
District II - Artesia

** OGD NEEDS C103 STARTING WELL HAS
BEEN RETURNED TO INJECTION.
IN SECTION RECORDS SHOW REPORTED INJECTION
FOR 11 & 12 / 2008 AND 1 / 2009.*