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New Mexico Energy, Minerals and Natural Resources Department

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30-015-05108

01-May-09

LOV NO. 02-09-017

MERIT ENERGY COMPANY, LLC
13727 NOEL ROAD, SUITE 500
DALLAS TX 75240-

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

H E WEST A No.007

30-015-05066-00-00

Active Injection - (All Types)

A-4-17S-31E

Test Date: 4/29/2009
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: Continuous blow of fluid from casing valve. Well shut-in.

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

Actual PSI:
Repair Due: 8/2/2009
FAIL CAUSE:

J L KEEL B No.023

30-015-05086-00-00

Active Injection - (All Types)

N-6-17S-31E

Test Date: 4/28/2009
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: Injection pressure over limit. Shut-in.

Permitted Injection PSI: 1676
Test Result: F
FAIL TYPE: Permit Violation

Actual PSI: 1800
Repair Due: 8/1/2009
FAIL CAUSE:

J L KEEL B No.024

30-015-05087-00-00

Active Injection - (All Types)

F-6-17S-31E

Test Date: 4/28/2009
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: Injection pressure over limit. Shut-in.

Permitted Injection PSI: 1702
Test Result: F
FAIL TYPE: Permit Violation

Actual PSI: 1850
Repair Due: 8/1/2009
FAIL CAUSE:



J L KEEL A No.003

	Active Injection - (All Types)	30-015-05091-00-00 N-7-17S-31E
Test Date:	4/28/2009	Permitted Injection PSI:
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Tubing
Comments on MIT:	Continuous blow of fluid from casing valve. Shut-in.	

J L KEEL A No.004

	Active Injection - (All Types)	30-015-05092-00-00 K-7-17S-31E
Test Date:	4/28/2009	Permitted Injection PSI: 1640
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	

J L KEEL A No.011

	Active Injection - (All Types)	30-015-05099-00-00 H-7-17S-31E
Test Date:	4/28/2009	Permitted Injection PSI: 1862
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	

J L KEEL B No.003

	Active Injection - (All Types)	30-015-05104-00-00 N-8-17S-31E
Test Date:	4/28/2009	Permitted Injection PSI: 1665
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	

J L KEEL B No.005

	Active Injection - (All Types)	30-015-05106-00-00 L-8-17S-31E
Test Date:	4/28/2009	Permitted Injection PSI: 1703
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	

J L KEEL B No.007

	Active Injection - (All Types)	30-015-05108-00-00 C-8-17S-31E
Test Date:	4/28/2009	Permitted Injection PSI:
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Tubing
Comments on MIT:	Continuous blow of fluids from casing valve. Shut-in.	

H E WEST B No.014

	Active Injection - (All Types)	30-015-05123-00-00 K-10-17S-31E
Test Date:	4/29/2009	Permitted Injection PSI:
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Other Internal Failure
Comments on MIT:	Continuous blow of fluid from casing valve. Shut-in.	

TURNER B No.030

	Active Injection - (All Types)	30-015-05186-00-00 P-17-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1401
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	

TURNER A No.003

	Active Injection - (All Types)	30-015-05211-00-00 K-18-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1652
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1800 Repair Due: 7/31/2009 FAIL CAUSE:

TURNER A No.011

	Active Injection - (All Types)	30-015-05215-00-00 P-18-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1630
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1700 Repair Due: 7/31/2009 FAIL CAUSE:

TURNER A No.013

	Active Injection - (All Types)	30-015-05216-00-00 I-18-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1628
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1700 Repair Due: 7/31/2009 FAIL CAUSE:

TURNER A No.012

	Active Injection - (All Types)	30-015-05238-00-00 A-19-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1683
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1800 Repair Due: 7/31/2009 FAIL CAUSE:

TURNER B No.043

	Active Injection - (All Types)	30-015-05314-00-00 M-20-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1721
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1800 Repair Due: 7/31/2009 FAIL CAUSE:

MAX FRIESS MA No.001

	Active Injection - (All Types)	30-015-05459-00-00 B-30-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1612
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1750 Repair Due: 7/31/2009 FAIL CAUSE:

TURNER B No.053

	Active Injection - (All Types)	30-015-05472-00-00 I-30-17S-31E
Test Date:	4/27/2009	Permitted Injection PSI: 1692
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation
Comments on MIT:	Injection pressure over limit. Shut-in.	Actual PSI: 1800 Repair Due: 7/31/2009 FAIL CAUSE:

H E WEST B No.030

	Active Injection - (All Types)	30-015-10705-00-00 K-9-17S-31E
Test Date:	4/29/2009	Permitted Injection PSI:
Test Reason:	Annual IMIT	Test Result: F
Test Type:	Bradenhead Test	FAIL TYPE: Other Internal Failure
Comments on MIT:	Continuous blow of fluid from casing valve. Shut-in.	Actual PSI: 2000 Repair Due: 8/2/2009 FAIL CAUSE:

TURNER B No.079

	Active Injection - (All Types)	30-015-20109-00-00
Test Date: 4/27/2009	Permitted Injection PSI: 1835	K-20-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1900
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 7/31/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

J L KEEL B No.031

	Active Injection - (All Types)	30-015-25247-00-00
Test Date: 4/28/2009	Permitted Injection PSI: 1712	G-6-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1830
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 8/1/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

J L KEEL B No.034

	Active Injection - (All Types)	30-015-25447-00-00
Test Date: 4/28/2009	Permitted Injection PSI: 1720	H-6-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1850
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 8/1/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

J L KEEL B No.038

	Active Injection - (All Types)	30-015-25919-00-00
Test Date: 4/28/2009	Permitted Injection PSI: 1838	I-6-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1900
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 8/1/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

J L KEEL B No.042

	Active Injection - (All Types)	30-015-25974-00-00
Test Date: 4/28/2009	Permitted Injection PSI: 1707	K-6-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1850
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 8/1/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

J L KEEL B No.045

	Active Injection - (All Types)	30-015-26066-00-00
Test Date: 4/28/2009	Permitted Injection PSI: 1859	G-5-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1950
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 8/1/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

J L KEEL A No.028

	Active Injection - (All Types)	30-015-28231-00-00
Test Date: 4/28/2009	Permitted Injection PSI: 1690	J-7-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1800
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 8/1/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

J L KEEL A No.030

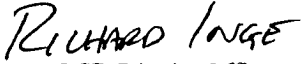
	Active Injection - (All Types)	30-015-28306-00-00
Test Date: 4/28/2009	Permitted Injection PSI: 1760	O-7-17S-31E
Test Reason: Annual IMIT	Test Result: F	Actual PSI: 1760
Test Type: Bradenhead Test	FAIL TYPE: Permit Violation	Repair Due: 8/1/2009
Comments on MIT: Injection pressure over limit. Shut-in.		FAIL CAUSE:

May 1, 2009

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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.

Sincerely,

A handwritten signature in black ink that reads "Richard Inge". The signature is written in a cursive, slightly slanted style.

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