

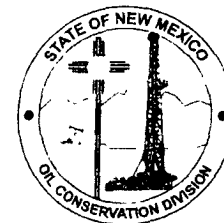
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## New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

Joanna Prukop  
Cabinet Secretary  
Reese Fullerton  
Deputy Cabinet Secretary

Mark Fesmire  
Division Director  
Oil Conservation Division



01-May-09

LOV NO. 02-09-017

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

30.015.25447

**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 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. Well shut-in.

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 Permitted Injection PSI: 1676  
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: 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 Permitted Injection PSI: 1702  
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: 1850  
Repair Due: 8/1/2009  
FAIL CAUSE:

**J L KEEL A No.003**

|                  |                                                    |                                                    |
|------------------|----------------------------------------------------|----------------------------------------------------|
|                  | Active Injection - (All Types)                     | 30-015-05091-00-00<br>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 | Actual PSI:<br>Repair Due: 8/1/2009<br>FAIL CAUSE: |

**J L KEEL A No.004**

|                  |                                         |                                                         |
|------------------|-----------------------------------------|---------------------------------------------------------|
|                  | Active Injection - (All Types)          | 30-015-05092-00-00<br>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. | Actual PSI: 1740<br>Repair Due: 8/1/2009<br>FAIL CAUSE: |

**J L KEEL A No.011**

|                  |                                         |                                                         |
|------------------|-----------------------------------------|---------------------------------------------------------|
|                  | Active Injection - (All Types)          | 30-015-05099-00-00<br>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. | Actual PSI: 1960<br>Repair Due: 8/1/2009<br>FAIL CAUSE: |

**J L KEEL B No.003**

|                  |                                         |                                                         |
|------------------|-----------------------------------------|---------------------------------------------------------|
|                  | Active Injection - (All Types)          | 30-015-05104-00-00<br>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. | Actual PSI: 1800<br>Repair Due: 8/1/2009<br>FAIL CAUSE: |

**J L KEEL B No.005**

|                  |                                         |                                                         |
|------------------|-----------------------------------------|---------------------------------------------------------|
|                  | Active Injection - (All Types)          | 30-015-05106-00-00<br>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. | Actual PSI: 1850<br>Repair Due: 8/1/2009<br>FAIL CAUSE: |

**J L KEEL B No.007**

|                  |                                                       |                                                         |
|------------------|-------------------------------------------------------|---------------------------------------------------------|
|                  | Active Injection - (All Types)                        | 30-015-05108-00-00<br>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. | Actual PSI: 1770<br>Repair Due: 8/1/2009<br>FAIL CAUSE: |

**H E WEST B No.014**

|                  |                                                      |                                                         |
|------------------|------------------------------------------------------|---------------------------------------------------------|
|                  | Active Injection - (All Types)                       | 30-015-05123-00-00<br>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. | Actual PSI: 2000<br>Repair Due: 8/2/2009<br>FAIL CAUSE: |

**TURNER B No.030**

|                  |                                         |                                                          |
|------------------|-----------------------------------------|----------------------------------------------------------|
|                  | Active Injection - (All Types)          | 30-015-05186-00-00<br>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. | Actual PSI: 1500<br>Repair Due: 7/31/2009<br>FAIL CAUSE: |

**TURNER A No.003**

|                  |                                         |                                    |
|------------------|-----------------------------------------|------------------------------------|
|                  | Active Injection - (All Types)          | 30-015-05211-00-00<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>K-20-17S-31E |
| Test Date: 4/27/2009                                     | Permitted Injection PSI: 1835  | Actual PSI: 1900                   |
| Test Reason: Annual IMIT                                 | Test Result: F                 | Repair Due: 7/31/2009              |
| Test Type: Bradenhead Test                               | FAIL TYPE: Permit Violation    | FAIL CAUSE:                        |
| Comments on MIT: Injection pressure over limit. Shut-in. |                                |                                    |

**J L KEEL B No.031**

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

**J L KEEL B No.034**

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

**J L KEEL B No.038**

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

**J L KEEL B No.042**

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

**J L KEEL B No.045**

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

**J L KEEL A No.028**

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

**J L KEEL A No.030**

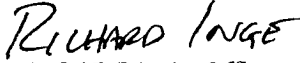
|                                                          |                                |                                   |
|----------------------------------------------------------|--------------------------------|-----------------------------------|
|                                       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

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.