



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

*Underground Injection Control Program
"Protecting Our Underground Sources of Drinking Water"*

23-Jun-05

MERIT ENERGY CO

PO Box 69

Loco Hills NM 88255-0000

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

H E WEST B No.016

30-015-05056-00-00

M-3-17S-31E

Active Injection - (All Types)

Test Date: 5/17/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 8/20/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well will not hold pressure

H E WEST B No.018

30-015-05057-00-00

O-3-17S-31E

Active Injection - (All Types)

Test Date: 5/17/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 8/20/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well will not hold pressure

J L KEEL B No.011

30-015-05077-00-00

N-5-17S-31E

Active Injection - (All Types)

Test Date: 5/9/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 8/12/2005

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Hole in casing (Per pumper).

J L KEEL B No.022**Active Injection - (All Types)****30-015-05082-00-00****L-5-17S-31E****Test Date:** 5/10/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/13/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Operational Violation**FAIL CAUSE:****Comments on MIT:** Previous IMIT failure - Not repaired**J L KEEL B No.025****Active Injection - (All Types)****30-015-05088-00-00****L-6-17S-31E****Test Date:** 5/11/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/14/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Operational Violation**FAIL CAUSE:****Comments on MIT:** Previous IMIT failure - Not repaired.**J L KEEL A No.014****Active Injection - (All Types)****30-015-05102-00-00****D-7-17S-31E****Test Date:** 5/5/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/8/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Permit Violation**FAIL CAUSE:****Comments on MIT:** Previous IMIT failure - Not repaired**J L KEEL B No.006****Active Injection - (All Types)****30-015-05107-00-00****F-8-17S-31E****Test Date:** 5/9/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/12/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Operational Violation**FAIL CAUSE:****Comments on MIT:** Previous IMIT failure - Not repaired. Well reports indicate injection without approval from District Office.**J L KEEL B No.012****Active Injection - (All Types)****30-015-05111-00-00****A-8-17S-31E****Test Date:** 5/11/2005**Permitted Injection PSI:****Actual PSI:** 1950**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/14/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**J L KEEL B No.017****Active Injection - (All Types)****30-015-05113-00-00****E-8-17S-31E****Test Date:** 5/9/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/12/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**J L KEEL B No.018****Active Injection - (All Types)****30-015-05114-00-00****D-8-17S-31E****Test Date:** 5/9/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/12/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Tubing**FAIL CAUSE:****Comments on MIT:** Casing and Tubing pressure equalized.**TURNER B No.002****Active Injection - (All Types)****30-015-05182-00-00****M-17-17S-31E****Test Date:** 5/2/2005**Permitted Injection PSI:****Actual PSI:** 1500**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/5/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Permit Violation**FAIL CAUSE:****Comments on MIT:** Previous IMIT failure - Not repaired

TURNER B No.004**Active Injection - (All Types)**

Test Date: 4/29/2005 Permitted Injection PSI: Actual PSI: 1300
Test Reason: 5-year Test Test Result: F Repair Due: 8/2/2005
Test Type: Std. Annulus Pres. Test FAIL TYPE: Equipment - Specify in C FAIL CAUSE:
Comments on MIT: Unable to thread nipple into casing valve - Rusted.

30-015-05183-00-00

N-17-17S-31E

TURNER B No.005**Active Injection - (All Types)**

Test Date: 5/3/2005 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 8/6/2005
Test Type: Bradenhead Test FAIL TYPE: Operational Violation FAIL CAUSE:
Comments on MIT: No flowline. Last reported injection Dec 1992. Well is in violation of Rule 19.15.9.705.B(3).

30-015-05184-00-00

L-17-17S-31E

TURNER B No.030**Active Injection - (All Types)**

Test Date: 4/29/2005 Permitted Injection PSI: Actual PSI:
Test Reason: 5-year Test Test Result: F Repair Due: 8/2/2005
Test Type: Std. Annulus Pres. Test FAIL TYPE: Permit Violation FAIL CAUSE:
Comments on MIT: previous IMIT failure - Not repaired.

30-015-05186-00-00

P-17-17S-31E

HUDSON FEDERAL No.001**Active Injection - (All Types)**

Test Date: 5/4/2005 Permitted Injection PSI: Actual PSI:
Test Reason: 5-year Test Test Result: F Repair Due: 8/7/2005
Test Type: Std. Annulus Pres. Test FAIL TYPE: Casing FAIL CAUSE:
Comments on MIT: Hole in casing (per pumper)

30-015-05208-00-00

A-18-17S-31E

TURNER A No.010**Active Injection - (All Types)**

Test Date: 5/3/2005 Permitted Injection PSI: Actual PSI: 1500
Test Reason: 5-year Test Test Result: F Repair Due: 8/6/2005
Test Type: Std. Annulus Pres. Test FAIL TYPE: Casing FAIL CAUSE:
Comments on MIT: Well will not hold pressure

30-015-05214-00-00

J-18-17S-31E

TURNER A No.013**Active Injection - (All Types)**

Test Date: 5/3/2005 Permitted Injection PSI: Actual PSI: 1560
Test Reason: 5-year Test Test Result: F Repair Due: 8/6/2005
Test Type: Std. Annulus Pres. Test FAIL TYPE: Casing FAIL CAUSE:
Comments on MIT: Well will not hold pressure

30-015-05216-00-00

I-18-17S-31E

C A RUSSELL No.006**Active Injection - (All Types)**

Test Date: 5/4/2005 Permitted Injection PSI: Actual PSI:
Test Reason: 5-year Test Test Result: F Repair Due: 8/7/2005
Test Type: Std. Annulus Pres. Test FAIL TYPE: Casing FAIL CAUSE:
Comments on MIT: well will not hold pressure.

30-015-05219-00-00

C-18-17S-31E

FREN OIL COMPANY No.002**Active Oil (Producing)**

Test Date: 4/28/2005 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 8/1/2005
Test Type: Bradenhead Test FAIL TYPE: Equipment - Specify in C FAIL CAUSE:
Comments on MIT: No bradenhead connection visible. Casing valve not visible. Unable to test

30-015-05250-00-00

N-19-17S-31E

FREN OIL COMPANY No.005**30-015-05253-00-00**

P-19-17S-31E

Active Injection - (All Types)

Test Date:	4/25/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	7/29/2005
Test Type:	Bradenhead Test	FAIL TYPE:	Permit Violation	FAIL CAUSE:	
Comments on MIT:	Previous IMIT failure - Not repaired. No bradenhead connection visible.				

FREN OIL COMPANY No.007**30-015-05255-00-00**

N-19-17S-31E

Active Injection - (All Types)

Test Date:	4/28/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	8/1/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Equipment - Specify in C	FAIL CAUSE:	
Comments on MIT:	Unable to test - Casing valve buried. Previous violation not repaired.				

FREN OIL COMPANY No.012**30-015-05260-00-00**

O-19-17S-31E

Active Injection - (All Types)

Test Date:	4/28/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	8/1/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Behind CSG Flow	FAIL CAUSE:	
Comments on MIT:	Fluid circulating from production casing through bradenhead.				

FREN OIL COMPANY No.013**30-015-05261-00-00**

P-19-17S-31E

Active Injection - (All Types)

Test Date:	4/25/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	7/29/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Permit Violation	FAIL CAUSE:	
Comments on MIT:	Previous IMIT failure - Not repaired				

TURNER B No.042**30-015-05278-00-00**

E-20-17S-31E

Active Injection - (All Types)

Test Date:	5/2/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	8/5/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Casing	FAIL CAUSE:	
Comments on MIT:	Well will not hold pressure				

TURNER B No.003**30-015-05279-00-00**

D-20-17S-31E

Active Injection - (All Types)

Test Date:	5/2/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	8/5/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Casing	FAIL CAUSE:	
Comments on MIT:	Well will not hold pressure				

TURNER B No.012**30-015-05284-00-00**

L-20-17S-31E

Active Injection - (All Types)

Test Date:	4/28/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	8/1/2005
Test Type:	Bradenhead Test	FAIL TYPE:	Equipment - Specify in C	FAIL CAUSE:	
Comments on MIT:	No bradenhead connection visible				

TURNER B No.072**30-015-05302-00-00**

O-20-17S-31E

Active Injection - (All Types)

Test Date:	4/25/2005	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	7/29/2005
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Communication Between	FAIL CAUSE:	
Comments on MIT:	Well would not pressure-up. Communication Between Casing Strings.				

TURNER B No.006**Active Injection - (All Types)****30-015-05304-00-00****C-20-17S-31E****Test Date:** 4/29/2005**Permitted Injection PSI:****Actual PSI:** 1750**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/2/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Permit Violation**FAIL CAUSE:****Comments on MIT:** Injection pressure over limit**TURNER B No.044****Active Injection - (All Types)****30-015-05311-00-00****N-20-17S-31E****Test Date:** 4/25/2005**Permitted Injection PSI:****Actual PSI:** 1500**Test Reason:** Annual IMIT**Test Result:** F**Repair Due:** 7/29/2005**Test Type:** Bradenhead Test**FAIL TYPE:** Equipment - Specify in C**FAIL CAUSE:****Comments on MIT:** No bradenhead connection visible. - Shut in**TURNER B No.046****Active Injection - (All Types)****30-015-05313-00-00****P-20-17S-31E****Test Date:** 4/26/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 7/30/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**TURNER B No.043****Active Injection - (All Types)****30-015-05314-00-00****M-20-17S-31E****Test Date:** 4/25/2005**Permitted Injection PSI:****Actual PSI:** 1550**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 7/29/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Behind CSG Flow**FAIL CAUSE:****Comments on MIT:** No bradenhead connection visible**TURNER B No.050****Active Injection - (All Types)****30-015-05437-00-00****D-29-17S-31E****Test Date:** 4/26/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** Annual IMIT**Test Result:** F**Repair Due:** 7/30/2005**Test Type:** Bradenhead Test**FAIL TYPE:** Permit Violation**FAIL CAUSE:****Comments on MIT:** No bradenhead connection visible.**TURNER B No.068****Active Injection - (All Types)****30-015-05452-00-00****P-29-17S-31E****Test Date:** 4/25/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 7/29/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Tubing**FAIL CAUSE:****Comments on MIT:** Hole in tubing (Per pumper).**J L KEEL B No.029****Active Injection - (All Types)****30-015-10471-00-00****K-8-17S-31E****Test Date:** 5/9/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/12/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** well will not hold pressure.**H E WEST B No.030****Active Injection - (All Types)****30-015-10705-00-00****K-9-17S-31E****Test Date:** 5/13/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** Annual IMIT**Test Result:** F**Repair Due:** 8/16/2005**Test Type:** Bradenhead Test**FAIL TYPE:** Operational Violation**FAIL CAUSE:****Comments on MIT:** Previous IMIT failure - Not repaired. Well still open to injection line. This well may not be used until repaired, retested and approval granted by OCD.

TURNER A No.035**30-015-20097-00-00**

H-19-17S-31E

Active Injection - (All Types)**Test Date:** 5/2/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/5/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**J L KEEL B No.030****30-015-21460-00-00**

O-6-17S-31E

Active Injection - (All Types)**Test Date:** 5/10/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/13/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**J L KEEL B No.038****30-015-25919-00-00**

I-6-17S-31E

Active Injection - (All Types)**Test Date:** 5/9/2005**Permitted Injection PSI:****Actual PSI:** 1690**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/12/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**J L KEEL B No.040****30-015-25940-00-00**

E-6-17S-31E

Active Injection - (All Types)**Test Date:** 5/10/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/13/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Permit Violation**FAIL CAUSE:****Comments on MIT:** Previous IMIT failure - Not repaired**HUDSON FEDERAL No.006****30-015-26008-00-00**

H-18-17S-31E

Active Injection - (All Types)**Test Date:** 5/4/2005**Permitted Injection PSI:****Actual PSI:** 1600**Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/7/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure**J L KEEL B No.045****30-015-26066-00-00**

G-5-17S-31E

Active Injection - (All Types)**Test Date:** 5/11/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/14/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Tubing**FAIL CAUSE:****Comments on MIT:** Flowing back tubing. Hole in tubing.**H E WEST A No.017****30-015-26212-00-00**

P-4-17S-31E

Active Injection - (All Types)**Test Date:** 5/19/2005**Permitted Injection PSI:****Actual PSI:** 2500**Test Reason:** Annual IMIT**Test Result:** F**Repair Due:** 8/22/2005**Test Type:** Bradenhead Test**FAIL TYPE:** Operational Violation**FAIL CAUSE:****Comments on MIT:** Injection pressure over limit. Failed to repair previous violation. Well still injecting.**H E WEST B No.094****30-015-29349-00-00**

B-10-17S-31E

Active Injection - (All Types)**Test Date:** 5/17/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/20/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Well will not hold pressure

FREN OIL COMPANY No.025**30-015-29537-00-00****Active Injection - (All Types)****I-19-17S-31E****Test Date:** 4/25/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** Annual IMIT**Test Result:** F**Repair Due:** 7/29/2005**Test Type:** Bradenhead Test**FAIL TYPE:** Permit Violation**FAIL CAUSE:****Comments on MIT:** SHUT-IN-Reason unknown. Unable to check injection psi. Violation of Rule 19.15.9.705.B(2).**C A RUSSELL No.022****30-015-29806-00-00****Active Injection - (All Types)****D-18-17S-31E****Test Date:** 5/4/2005**Permitted Injection PSI:****Actual PSI:****Test Reason:** 5-year Test**Test Result:** F**Repair Due:** 8/7/2005**Test Type:** Std. Annulus Pres. Test**FAIL TYPE:** Casing**FAIL CAUSE:****Comments on MIT:** Hole in casing (per pumper)

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,

Henry Gayle
Artesia OCD District Office *HR*

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.