



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

20-Jun-07

C E LARUE
c/o CFM OIL CO
PO BOX 1176
ARTESIA NM 88210

LOV NO. 0216307

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

LEONARD No.002

Active Injection - (All Types)

30-015-02821-00-00
N-36-16S-29E

Test Date: 6/19/2007

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 9/22/2007

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Tubing

FAIL CAUSE:

Comments on MIT: Operator said there was a hole in the tubing. Unable to test.

LEONARD No.006

Active Injection - (All Types)

30-015-02828-00-00
P-36-16S-29E

Test Date: 6/19/2007

Permitted Injection PSI:

Actual PSI: 1440

Test Reason: 5-year Test

Test Result: F

Repair Due: 9/22/2007

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well would not pressure-up.

LEONARD No.008

Active Injection - (All Types)

30-015-02830-00-00
H-36-16S-29E

Test Date: 6/19/2007

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 9/22/2007

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well would not pressure-up. Also operator reported a hole in flow line.

Oil Conservation Division * 1301 W. Grand * Artesia, New Mexico 88210
Phone: 505-748-1283 * Fax: 505-748-9720 * <http://www.emnrd.state.nm.us>

Oil Conservation Division * 1301 West Grand Ave. * Artesia, New Mexico 88201
Phone: (505) 748-1283 * Fax (505) 748-9720 * <http://www.emnrd.state.nm.us>

DEKALB FEDERAL No.003

30-015-03952-00-00

Active Injection - (All Types)

J-31-16S-30E

Test Date: 6/19/2007

Permitted Injection PSI:

Actual PSI: 1400

Test Reason: 5-year Test

Test Result: F

Repair Due: 9/22/2007

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Well had 250 pounds of pressure and lost it. Would not pressure up. Advised operator to shut in well until workover done on it

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,

RICHARD INGE

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.