



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel

Cabinet Secretary

Karen W. Garcia

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

mailed: 12/2/2010
D.G.

01-Dec-10

CANYON E & P COMPANY

911 LAKE CAROLYN PKWY SUITE 104

IRVING TX 75039

LOVING 02-09-177

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

TWIN LAKES SAN ANDRES UNIT No.035

Expired TA Injection - (All Types)

Test Date: 11/29/2010

Permitted Injection PSI:

Test Reason: 5-year Test

Test Result: F

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

Comments on MIT: Operator reports well will not pass.

Actual PSI:

Repair Due: 3/4/2011

FAIL CAUSE:

30-005-60026-00-00

K-36-8S-28E

TWIN LAKES SAN ANDRES UNIT No.074

Active Injection - (All Types)

Test Date: 11/30/2010

Permitted Injection PSI:

Test Reason: 5-year Test

Test Result: F

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

Comments on MIT: Well would not pressure-up.

Actual PSI:

Repair Due: 3/5/2011

FAIL CAUSE:

30-005-60248-00-00

K-1-9S-28E

Oil Conservation Division

1301 W. Grand Avenue • Artesia, New Mexico 88210

Phone (575) 748-1283 • Fax (575) 748-9720 • www.emnrd.state.nm.us/OCD



TWIN LAKES SAN ANDRES UNIT No.009

Active Injection - (All Types)

30-005-60598-00-00
M-25-8S-28E

Test Date: 11/29/2010
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test

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

Actual PSI:
Repair Due: 3/4/2011
FAIL CAUSE:

Comments on MIT: Operator reports well will not pass.

TWIN LAKES SAN ANDRES UNIT No.002

Active Injection - (All Types)

30-005-60648-00-00
K-25-8S-28E

Test Date: 11/29/2010
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test

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

Actual PSI:
Repair Due: 3/4/2011
FAIL CAUSE:

Comments on MIT: Operator reports well will not pass.

TWIN LAKES SAN ANDRES UNIT No.091

Active Injection - (All Types)

30-005-60790-00-00
B-12-9S-28E

Test Date: 11/30/2010
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test

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

Actual PSI:
Repair Due: 3/5/2011
FAIL CAUSE:

Comments on MIT: Well will not hold pressure

TWIN LAKES SAN ANDRES UNIT No.076

Active Injection - (All Types)

30-005-60809-00-00
I-1-9S-28E

Test Date: 11/30/2010
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test

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

Actual PSI:
Repair Due: 3/5/2011
FAIL CAUSE:

Comments on MIT: Well would not pressure-up.

TWIN LAKES SAN ANDRES UNIT No.118

Active Injection - (All Types)

30-005-61736-00-00
B-18-9S-29E

Test Date: 11/29/2010
Test Reason: Annual IMIT
Test Type: Bradenhead Test

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

Actual PSI:
Repair Due: 3/4/2011
FAIL CAUSE:

Comments on MIT: Operator reports well will not pass.

TWIN LAKES SAN ANDRES UNIT No.109

Active Injection - (All Types)

30-005-61772-00-00
J-12-9S-28E

Test Date: 11/29/2010
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test

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

Actual PSI:
Repair Due: 3/4/2011
FAIL CAUSE:

Comments on MIT: Operator reports well will not pass.

TWIN LAKES SAN ANDRES UNIT No.001

Active Injection - (All Types)

30-005-62070-00-00
F-25-8S-28E

Test Date: 11/29/2010
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test

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

Actual PSI:
Repair Due: 3/4/2011
FAIL CAUSE:

Comments on MIT: Operator reports well will not pass.

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 Inas

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.