



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division

Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Land's Underground Sources of Drinking Water"

07-Jul-11

DORAL ENERGY CORP.

22610 US HIGHWAY 281, N SUITE 218
SAN ANTONIO TX 78258--756

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

| | | | |
|--|------------------------|--------------------------------------|------------------------|
| MILLER FEDERAL No.006 | | 30-005-20530-00-00 | |
| Active Salt Water Disposal Well | | M-34-7S-31E | |
| Test Date: | 7/7/2011 | Permitted Injection PSI: | Actual PSI: |
| Test Reason: | Annual IMIT | Test Result: F | Repair Due: 10/10/2011 |
| Test Type: | Bradenhead Test | FAIL TYPE: Tubing | FAIL CAUSE: |
| Comments on MIT: RULE 19.15.26.11. BHT FAILED. NEED TO REPAIR AND RESCHEDULE FOR PRESSURE TEST/ MIT BEFORE WELL CAN RETURN TO INJ. THIS IS 1ST LETTER OF NON-COMPLIANCE. | | | |
| HAHN FEDERAL No.005 | | 30-005-20532-00-00 | |
| Active Salt Water Disposal Well | | K-27-7S-31E | |
| Test Date: | 7/7/2011 | Permitted Injection PSI: | Actual PSI: |
| Test Reason: | Annual IMIT | Test Result: F | Repair Due: 10/10/2011 |
| Test Type: | Std Annulus Pres. Test | FAIL TYPE: Equipment - Specify in Co | FAIL CAUSE: |
| Comments on MIT: RULE 19.15.26.11. UNABLE TO RUN MIT/PRESSURE TEST. THERE IS NO TBG, PKR OR CIBP IN WELL. NEED TO REPAIR AND RETURN TO INJ, T/A OR P/A WELL. THIS IS 1ST LETTER OF NON-COMPLIANCE. | | | |

TOM 36 STATE No.001

30-005-20686-00-00

Active Salt Water Disposal Well

A-36-7S-31E

| | | | |
|------------------|---|--------------------------|-------------|
| Test Date: | 7/7/2011 | Permitted Injection PSI: | Actual PSI: |
| Test Reason: | Annual IMIT | Test Result: | F |
| Test Type: | Bradenhead Test | FAIL TYPE: | Tubing |
| Comments on MIT: | RULE 19 15 26.11 FAILED BHT. STRONG VAC ON PROD CSG. THIS IS 1ST LETTER OF NON-COMPLIANCE | | |

WATTAM FEDERAL No.006

30-005-20814-00-00

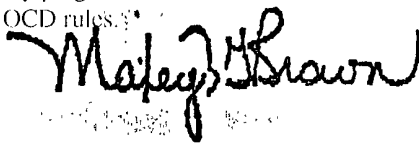
Active Salt Water Disposal Well

A-7-8S-31E

| | | | |
|------------------|---|--------------------------|-------------|
| Test Date: | 7/7/2011 | Permitted Injection PSI: | Actual PSI: |
| Test Reason: | Annual IMIT | Test Result: | F |
| Test Type: | Std. Annulus Pres. Test | FAIL TYPE: | Tubing |
| Comments on MIT: | RULE 19 15 26.11 FAILED MIT/ PRESSURE TEST BARRY LEE REPORTED THAT WELL WOULD NOT PT SCHEDULED FOR REPAIRS. | | |

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,

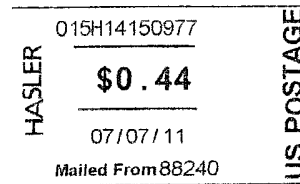
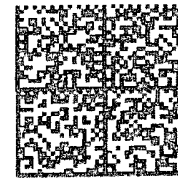


COMPLIANCE OFFICER

Hobbs 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.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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