



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph. D.
Acting Cabinet Secretary

HOBBS OCD

NOV 14 2011

Jami Bailey
Division Director
Oil Conservation Division



10-Nov-11

RECEIVED

EOR OPERATING COMPANY
One Riverway SUITE 610
Houston TX 77056-

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

MILNESAND UNIT No.122

Active Injection - (All Types)

30-041-00029-00-00
N-7-8S-35E

| | | | | | |
|-------------------------|--|---------------------------------|-----------------------|--------------------|-----------|
| Test Date: | 10/24/2011 | Permitted Injection PSI: | | Actual PSI: | |
| Test Reason: | Annual IMIT | Test Result: | F | Repair Due: | 1/27/2012 |
| Test Type: | Bradenhead Test | FAIL TYPE: | Operational Violation | FAIL CAUSE: | |
| Comments on MIT: | Previous IMIT failure - Not repaired ***OPERATOR IN VIOLATION OF NMOCDD RULE 19.15.26.11**** | | | | |

MILNESAND UNIT No.036

Expired TA Injection - (All Types)

30-041-00087-00-00
N-18-8S-35E

| | | | | | |
|-------------------------|---|---------------------------------|-----------------------|--------------------|-----------|
| Test Date: | 10/25/2011 | Permitted Injection PSI: | | Actual PSI: | |
| Test Reason: | Annual IMIT | Test Result: | F | Repair Due: | 1/28/2012 |
| Test Type: | Bradenhead Test | FAIL TYPE: | Operational Violation | FAIL CAUSE: | |
| Comments on MIT: | Previous IMIT failure - Not repaired; ****OPERATOR IN VIOLATION OF NMOCDD RULE 19.15.26.11****2ND NOTICE OF VIOLATION**** | | | | |

Oil Conservation Division * 1625 N. French Drive * Hobbs, New Mexico 88240
Phone: 505-393-6161 * Fax: 505-393-0720 * <http://www.emnrd.state.nm.us>

Oil Conservation Division * 1625 N. French Dr.*
* Hobbs, New Mexico 88240
* Phone: (575) 393-6161 * Fax (575) 393-0720* <http://www.emnrd.state.nm.us>



MILNESAND UNIT No.187**30-041-10057-00-00**

B-18-8S-35E

Approved TA Injection - (All Types)
Test Date: 10/24/2011 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 1/27/2012
Test Type: Bradenhead Test **FAIL TYPE:** Operational Violation **FAIL CAUSE:**
Comments on MIT: Previous IMIT failure - Not repaired ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11****

MILNESAND UNIT No.310**30-041-10059-00-00**

F-19-8S-35E

Expired TA Injection - (All Types)
Test Date: 10/24/2011 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 1/27/2012
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Operational Violation **FAIL CAUSE:**
Comments on MIT: Previous IMIT failure - Not repaired: NO CHANGE IN STATUS ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11***

MILNESAND UNIT No.311**30-041-10060-00-00**

B-19-8S-35E

Expired TA Injection - (All Types)
Test Date: 10/25/2011 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 1/28/2012
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: Previous IMIT failure - Not ; ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*** 2ND NOTICE OF VIOLATION.

HORTON FEDERAL No.004**30-041-10104-00-00**

F-30-8S-35E

Active Injection - (All Types)
Test Date: 10/24/2011 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 1/27/2012
Test Type: Bradenhead Test **FAIL TYPE:** Operational Violation **FAIL CAUSE:**
Comments on MIT: NO CHANGE STILL INACTIVE AS FAILURE ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11

HORTON FEDERAL No.007**30-041-10129-00-00**

B-30-8S-35E

Active Injection - (All Types)
Test Date: 10/24/2011 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 1/27/2012
Test Type: Bradenhead Test **FAIL TYPE:** Operational Violation **FAIL CAUSE:**
Comments on MIT: ****SNC WELL STILL IN USE?*****

MILNESAND UNIT No.517**30-041-10158-00-00**

P-24-8S-34E

Expired TA Injection - (All Types)
Test Date: 10/25/2011 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: 5-year Test **Test Result:** F **Repair Due:** 1/28/2012
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Operational Violation **FAIL CAUSE:**
Comments on MIT: Previous IMIT failure - Not repaired ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11****3RD NOTICE OF VIOLATION***

November 10, 2011

Page 3

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.

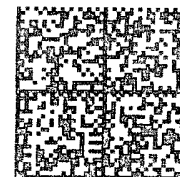
Sincerely,



Hobbs OCD District Office
COMPLIANCE OFFICER

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



HASLER
015H14150977
\$0.44
11/10/11
Mailed From 88240
US POSTAGE

EOR OPERATING COMPANY
ONE RIVERWAY
STE. 610
HOUSTON, TX 77056