State of New Mexico
Energy, Minerals and Natural Resources Department

Response Required – Deadline Enclosed
Underground Injection Control Program
"Protecting Our Underground Sources of Drinking Water"

03-May-12

PRIMEXX OPERATING CORPORATION
4849 GREENVILLE AVE STE 1600
DALLAS TX 75206-

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

COY LOWE No.001 **30-025-29705-00-00**

Active Salt Water Disposal Well E-7-13S-38E

Test Date:	5/3/2012	**Permitted Injection PSI:**		**Actual PSI:**	
Test Reason:	SEE ATTACHMENT	**Test Result:**	F	**Repair Due:**	8/6/2012
Test Type:	Std. Annulus Pres. Test	**FAIL TYPE:**	Other Internal Failure	**FAIL CAUSE:**	

Comments on MIT: ***OPERATOR DID NOT SHOW FOR UIC TESTNG***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11** COY LOWE #1 IS TO BE SHUT IN AND REMAIN SHUT IN UNTIL SWD ORDER TEST REQUIREMENTS ARE MET. ****PLEASE SEE ATTACHED INFORMATION FOR AN EXPLANATION OF UIC TEST REQUIREMENTS.

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.

NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

MEMORANDUM

TO: Chris Williams

FROM: David Catanach

RE: FAGADAU, Coy Lowe SWD No. 1-E
Section 7, T-13S, R-38E

As per your request dated June 17, 1997, I have conducted some research on this well. Enclosed find a letter written to me by Atapco, the previous operator, dated August 23, 1995. In this letter, Atapco presented the Division with four options to repair their well. They apparently decided on Option No. 3, which included running an annual tracer survey. If we have not already done so, we should inform the new operator that an annual tracer survey will be required for continued operation on this well. In addition, the operator should be required to run a mechanical integrity pressure test on the tubing on the regular five year cycle.

If I can be of further assistance, please advise.

MEMO TO: David Catanach

FROM: Chris Williams CW

DATE: June 17, 1997

RE: FAGADAU, Coy Lowe SWD #1-E, Sec. 7, T13S, R38E

It has come to our attention that a string of 2 7/8 inch tubing has been run and cemented to surface in the above referenced salt water disposal well.

Please notify us of any special requirements to be initiated for testing the integrity of the well.

Enclosed is a copy of the sheet with information on the bradenhead test conducted March 3, 1997.

The operator can be reached at:

FAGADAU Energy Corporation
2323 Bryan Street, Suite 1770
Dallas, Texas 75201

Phone: (214) 754-5908

Atapco
Oil & Gas Division / American Trading and Production Corporation

August 23, 1995

Oil Conservation Commission
2040 S. Pacheco
Santa Fe, New Mexico 87505

Attention: Mr. David Catanach

RE: Coy Lowe (SWD) Well No. 1 SWD-322

Dear Mr. Catanach:

The letter is a follow up to our conversation of August 22, 1995 on the above mentioned well. The well was worked over during the months of November 1994 thru February 1995. A total of 70 days was spent fishing, squeezing and testing the well at a cost of $300,000. The well was restored to injection on February 10, 1995 and after six (6) months injection, we now have communication on the casing. We shut the well in and moved in a workover rig. After testing, it was determined the casing had a hole at approximately 7300'.

We are currently considering four options for the well and would appreciate your help with these or any other options you may suggest.

1. Squeeze off hole at 7300'. Drill out and test. Set the completion packer at 6500'±, above the deteriorated interval of casing at 7000'. The Devonian zone takes water on a vacuum and as tight as the zones are in between the packer and the injection interval, there would be no doubt that the water is going to the Devonian zone. We could also run a tracer survey and do a MIT yearly.

2. Squeeze off hole at 7300'. Drill out and test. Run 4-1/2" flush joint casing to 9000'±. Due to tensile strength of the flush joint connection and the close tolerance of drift area between the two casings, it would be difficult to ensure that the pipe would even reach 9000'. This would still leave more than 3000' of casing exposed to the injection zone.

7676 Hillmont • Suite 350 • Houston, Texas 77040-6400 • 713-460-2355 • Fax 713-462-7170

3. Squeeze off hole at 7300'. Drill out and test. Run 3" tubing to 11,500' and cement from 11,500' to 7,000'. This would satisfy coverage of the bad casing but would be the final step in the wellbore if the tubing developed a leak. We would also run a tracer survey yearly to make sure the water was going to the proper place.

4. Abandon the Devonian injection interval. Plug back to 7000'. Permit and attempt to inject into the Gloreta-San Andress. This may be a last resort. Jerry Sexton mentioned that these zones were very tight and may require excessive pressure to pump in. He also mentioned we may have a problem proving separation from other wells in the area.

Of the above options, we would appreciate your consideration of option No. 1 and No. 3. We realize there are normal procedures that must be followed with injection wells. However, we are attempting to produce a well making 50 BOPD and 600 BWPD economically. If you need any additional information, please feel free to contact me at the Houston office, 713 - 460-2355 extension 221. Thank you for you help in this matter.

Sincerely,

Sheldon Lowery
Production Superintendent

Encls.

SL:cjb

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

ORDER SWD-322

THE APPLICATION OF AMERICAN TRADING AND PRODUCTION CORPORATION

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), American Trading and Prodcution Corporation made application to the New Mexico Oil Conservation Division on June 17, 1987, for permission to complete for salt water disposal its Coy Lowe Well No. 1 located in Unit E of Section 7, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico.

The Division Director finds:

(1) That application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;

(2) That satisfactory information has been provided that all offset operators and surface owners have been duly notified; and

(3) That the applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met.

(4) That no objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED:

That the applicant herein, American Trading and Production Corporation is hereby authorized to complete its Coy Low Well No. 1, located in Unit E of Section 7, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of salt water for disposal purposes into the Devonian formation at approximately 12,235 feet to approximately 12,288 feet through 2 7/8 inch plastic lined tubing set in a packer located at approximately 12,100 feet.

IT IS FURTHER ORDERED:

That the operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

That the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

That prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of the casing.

That the injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 2447 psi.

That the Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Devonian formation. That such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

That the operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity test so that the same may be inspected and witnessed.

That the operator shall immediately notify the supervisor of the Division's Hobbs district office of the failure of the tubing, casing, or packer, in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER, That jurisdiction of this cause is hereby retained by the Division for such further order or orders as may seem necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of applicant to comply with any requirement of this order after notice and hearing, the Division may terminate the authority hereby granted in the interest of conservation. That applicant shall submit monthly reports of the disposal operations in accordance with Rule 706 and 1120 of the Division Rules and Regulations.

That the Division Director may rescind or suspend this injection authority if it becomes apparent that the injected water is not being confined to the injection zone or it is endangering any fresh water aquifers.

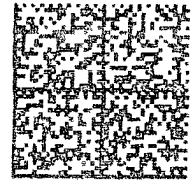
Approved at Santa Fe, New Mexico, on this 7 day of July, 1987.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY,
Director

S E A L

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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