



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

SUSANA MARTINEZ

Governor

John H. Benis

Cabinet Secretary

Jami Bailey

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

07-Aug-12

LINN OPERATING, INC.

600 TRAVIS SUITE 5100

HOUSTON TX 77002-

HOBBS OCD

AUG 08 2012

RECEIVED

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

SEVEN RIVERS QUEEN UNIT No.027

30-025-09156-00-00

E-35-22S-36E

Active Injection - (All Types)

Test Date: 7/19/2012

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 10/22/2012

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: FAILED PRESSURE TEST: WOULD NOT HOLD PRESSURE: BEGINNING 360# ENDING 290#
WITHIN 2 MINUTES***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*****

SOUTH LEONARD UNIT No.006

30-025-12041-00-00

H-23-26S-37E

Active Injection - (All Types)

Test Date: 7/19/2012

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 10/22/2012

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: FAILED BHT OIL ON CASING

AUG 08 2012

MESCALERO RIDGE UNIT No.351**30-025-20302-00-00**

I-35-19S-34E

Active Injection - (All Types)
Test Date: 7/24/2012 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 10/27/2012
Test Type: Bradenhead Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: NO CHANGE IN STATUS; OPERATOR CONCEDES WELL HAS STILL NOT BEEN
REPAIRED;***OPERATOR IN VIOLATION OF NMOC RULE 19.15.26.11***

MESCALERO RIDGE UNIT No.354**30-025-20692-00-00**

G-35-19S-34E

Active Injection - (All Types)
Test Date: 7/24/2012 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 10/27/2012
Test Type: Bradenhead Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: OPERATOR CONCEDES WELL WILL NOT PASS; ***OPERATOR IN VIOLATION OF NMOC
RULE 19 15.26 11****

MESCALERO RIDGE UNIT No.356**30-025-20693-00-00**

C-35-19S-34E

Active Injection - (All Types)
Test Date: 7/24/2012 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 10/29/2012
Test Type: Bradenhead Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: FAILED BHT; OPERATOR CONCEDES WELL IS BAD; FAILED WORKOVER; ***OPERATOR IN
VIOLATION OF NMOC RULE 19 15 26.11****

MESCALERO RIDGE UNIT No.263**30-025-21857-00-00**

O-26-19S-34E

Active Injection - (All Types)
Test Date: 7/24/2012 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 10/27/2012
Test Type: Bradenhead Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: NO CHANGE IN STATUS, WO IN PROCESS, ****WELL/OPERATOR STILL IN VIOLATION OF
NMOC RULE 19.15.26.11****

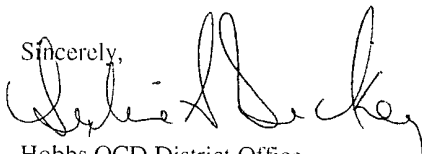
HUMPHREY QUEEN UNIT No.020**30-025-23183-00-00**

M-3-25S-37E

Expired TA Injection - (All Types)
Test Date: 7/19/2012 Permitted Injection PSI: Actual PSI:
Test Reason: 5-year Test Test Result: F Repair Due: 10/29/2012
Test Type: Std. Annulus Pres. Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: ***FAILED PRESSURE TEST*** THIS IS AN EXPIRED TA'D WELL; WOULD NOT HOLD
PRESSURE DURING TEST- BEGINNING PRESSURE 570# ENDING PRESSURE 460#
OPERATOR IN VIOLATION OF NMOC RULE 19.15.26.11*

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

Sincerely,

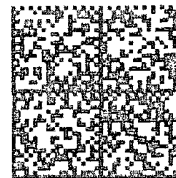


Hobbs OCD District Office

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

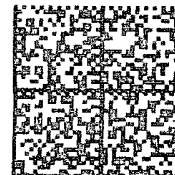
EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER
015H14150977
\$0.45
08/07/12
Mailed From 88240
US POSTAGE

LINN OPERATING
ATTN: BOB AIKEN
2130 W. BENDER
HOBBS, NM 88240

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER
015H14150977
\$0.45
08/07/12
Mailed From 88240
US POSTAGE

LINN OPERATING
ATTN: GOVERNMENT REGULATORY & COMPLIANCE
600 TRAVIS STE. 5100
HOUSTON, TX 77002