

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



Response Required - Deadline Enclosed

*Underground Injection Control Program
"Protecting Our Underground Sources of Drinking Water"*

29-Jul-14

SOVEREIGN EAGLE, LLC
P.O. BOX 968
ROSWELL NM 88202-

**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

POWELL SWD:PENN No.001

**30-041-20840-00-00
G-23-2S-29E**

Active Salt Water Disposal Well

Test Date:	7/19/2014	Permitted Injection PSI:	Actual PSI:		
Test Reason:	Operator Reported	Test Result:	F	Repair Due:	10/22/2014
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	

Comments on MIT: **"OPERATOR IN VIOLATION OF THE FOLLOWING NMOCD RULES AND REGULATIONS"**

- NMOCD RULE 19.15.5.11 *****ENFORCEABILITY OF PERMITS AND ADMINISTRATIVE ORDERS*****
According to SWD -369 Operator has been approved to operate the Powell SWD #1 as stated per order. Any changes to wellbore, due to workovers etc., is to be submitted to the OCD District Office for approval. Any modifications to original order must be approved in Santa Fe. (ex: packers settings outside 100' rule)
Note: Operator must submit request to Santa Fe for the 163' packer setting depth to Phillip Goetze.
- NMOCD RULE 19.15.26.11.A.2 *****TESTING AND MONITORING *****
According to above rule, at least once every 5 (five) years, the Operator shall test an injection well to assure it's continued mechanical integrity. **Note:** There is no record of testing on file since 2009. Pressure Test Performed on July 19, 2014 did not meet test requirements. NMOCD was not notified to witness to verify test results.
- 19.15.26.10.C and D *****OPERATION AND MAINTENANCE*****
According to above rule, Operator is to report the failure of an injection well prior to commencement of workover operations. **Note:** No notification was made to Hobbs District Office or personnel regarding the failure of this well and the commencement of repair operations.

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July 29, 2014

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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,

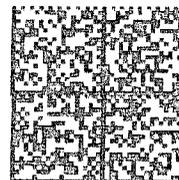


Hobbs OCD District Office

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



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