



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

05-Jun-08

ENHANCED OIL RESOURCES INC.
200 N. LORAIN, STE. 1440
MIDLAND, TX 79701

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

HALEY CHAVEROO SA UNIT No.033

30-005-10440-00-00

Active Injection - (All Types)

B-3-8S-33E

Test Date: 6/4/2008

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 9/7/2008

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: Well would not pressure-up. COMMUNICATION BETWEEN TUBING AND CASING;

HALEY CHAVEROO SA UNIT No.039

30-005-10541-00-00

Active Oil (Producing)

J-3-8S-33E

Test Date: 6/3/2008

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 9/6/2008

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: CHAD MOHON ON LOCATION; WELL IS CONNECTED AS AN INJECTION WELL; RBDMS SHOWS AS OIL ON TYPE OF WELL; SHUT IN AT THIS TIME; CANNOT CONNECT TO CASING; NEEDS NEW VALVES;

HALEY CHAVEROO SA UNIT No.042**30-005-10551-00-00****Active Injection - (All Types)****P-3-8S-33E**

Test Date: 6/3/2008 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 9/6/2008
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: WELL IS DISCONNECTED NO ACTIVITY;CHAD MOHON ON LOCATION; FAILURE TO REPAIR
PREVIOUS VIOLATION;

HALEY CHAVEROO SA UNIT No.014**30-041-10137-00-00****Active Injection - (All Types)****F-33-7S-33E**

Test Date: 6/3/2008 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 9/6/2008
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: CHAD MOHON ON LOCATION; FAILURE TO REPAIR PREVIOUS VIOLATION;

HALEY CHAVEROO SA UNIT No.018**30-041-10138-00-00****Active Injection - (All Types)****J-33-7S-33E**

Test Date: 6/3/2008 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 9/6/2008
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: CHAD MOHON ON LOCATION; FAILURE TO REPAIR PREVIOUS VIOLATION;

HALEY CHAVEROO SA UNIT No.003**30-041-10144-00-00****Active Injection - (All Types)****B-33-7S-33E**

Test Date: 6/4/2008 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 9/7/2008
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: 33 BBLS TO LOAD ACTUAL PRESSURE TEST DONE TODAY; ****UPDATED CHECK WELL
WOULD NOT LOAD; TO REMAIN SHUT IN*****

HALEY CHAVEROO SA UNIT No.016**30-041-10146-00-00****Active Injection - (All Types)****L-33-7S-33E**

Test Date: 6/3/2008 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 9/6/2008
Test Type: Bradenhead Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: SHUT IN WELL INACTIVE NO CHART; NOT CONNECTED CHAD MOHON ON LOCATION;
FAILURE TO REPAIR PREVIOUS VIOLATION;

HALEY CHAVEROO SA UNIT No.001**30-041-10174-00-00****Active Injection - (All Types)****D-33-7S-33E**

Test Date: 6/3/2008 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 9/6/2008
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: CHAD MOHON ON LOCATION, FAILURE TO REPAIR PREVIOUS VIOLATION;

HALEY CHAVEROO SA UNIT No.012**30-041-10213-00-00****Active Injection - (All Types)****L-34-7S-33E**

Test Date: 6/3/2008 **Permitted Injection PSI:** **Actual PSI:**
Test Reason: Annual IMIT **Test Result:** F **Repair Due:** 9/6/2008
Test Type: Std. Annulus Pres. Test **FAIL TYPE:** Other Internal Failure **FAIL CAUSE:**
Comments on MIT: CHAD MOHON ON LOCATION; NOT CONNECTED; INACTIVE INJECTOR; NO PRESSURE TEST;
FAILURE TO REPAIR PREVIOUS VIOLATION;

HALEY CHAVEROO SA UNIT No.005**30-041-10218-00-00****Active Injection - (All Types)****D-34-7S-33E**

Test Date:	6/4/2008	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	9/7/2008
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other External Failure	FAIL CAUSE:	
Comments on MIT:	VISUAL CASING PROBLEM; PRESSURED UP ON WELL, FLUID COMMENCED TO EXIT TOP OF CASING, BELOW FLANGE ON WELLHEAD;				

HALEY CHAVEROO SA UNIT No.022**30-041-10232-00-00****Active Injection - (All Types)****J-34-7S-33E**

Test Date:	6/5/2008	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	9/8/2008
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	UNABLE TO TEST WELL NO CASING VALVES; WELL IS SHUT IN; CHAD MOHON ON LOCATION; FAILURE TO REPAIR PREVIOUS VIOLATION REGARDING INACTIVE STATUS OF WELL;				

HALEY CHAVEROO SA UNIT No.007**30-041-10243-00-00****Active Injection - (All Types)****B-34-7S-33E**

Test Date:	6/5/2008	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	9/8/2008
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	CASING OPEN TO SURFACE/AIR: FAILURE TO REPAIR PRIOR FAILURE				

HALEY CHAVEROO SA UNIT No.008**30-041-10413-00-00****Active Injection - (All Types)****H-34-7S-33E**

Test Date:	6/5/2008	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	9/8/2008
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	NO TEST: CHAD MOHON ON LOCATION; FAILURE TO REPAIR PREVIOUS VIOLATION;				

HALEY CHAVEROO SA UNIT No.031**30-041-10421-00-00****Active Injection - (All Types)****P-34-7S-33E**

Test Date:	6/5/2008	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	9/8/2008
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	CHAD MOHON ON LOCATION; FAILURE TO REPAIR PREVIOUS VIOLATION;				

HALEY CHAVEROO SA UNIT No.029**30-041-10450-00-00****Active Injection - (All Types)****N-34-7S-33E**

Test Date:	6/3/2008	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	9/6/2008
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	WOULD NOT LOAD; USED 74 BBLs; UNABLE TO CHART; SHUT WELL IN AS A RESULT.				

JENNIFER CHAVEROO SA UNIT No.042**30-041-10553-00-00****Active Injection - (All Types)****M-25-7S-33E**

Test Date:	6/4/2008	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	9/7/2008
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	WELL IS DISCONNECTED; NO TEST; CHAD MOHON ON LOCATION; FAILURE TO REPAIR PREVIOUS VIOLATION;				

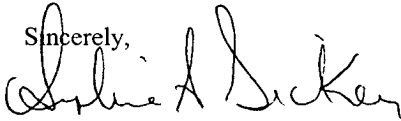
Active Injection - (All Types)

I-25-7S-33E

Test Date:	6/4/2008	Permitted Injection PSI:	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	F
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure
Comments on MIT:	Well SHUT IN; DISCONNECTED NO WELL SIGN; NOT PROPERLY TA'D ETC. CHAD MOHON ON LOCATION; FAILURE TO REPAIR PREVIOUS VIOLATION;		

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,

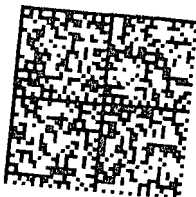


Hobbs OCD District Office
COMPLIANCE OFFICER

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

ENHANCED OIL RESOURCES INC.
200 N. LORRAINE, STE. 1440
MIDLAND, TX 79701



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