



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

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Cabinet Secretary

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Director

Oil Conservation Division

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

23-Oct-08

OXY USA INC

PO BOX 4294

HOUSTON TX 77210-

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

AZTEC STATE COM No.002

Active Salt Water Disposal Well

30-025-22931-00-00

A-26-13S-32E

Test Date: 10/22/2008

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 1/25/2009

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Unable to load. Found well with pressure on annulus and intermediate. Attempt to load annulus. Intermediate went on vacuum. Need to repair failure and retest. MW

TODD LOWER SAN ANDRES UNIT No.312

Approved TA Injection - (All Types)

30-041-10005-00-00

L-31-7S-36E

Test Date: 10/22/2008

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 1/25/2009

Test Type: Bradenhead Test

FAIL TYPE: Casing

FAIL CAUSE:

Comments on MIT: Bradenhead test on T/A well. 80 psi on tubing / casing annulus. Pressure bled off but continued to flow a stream of fluid. Need to repair failure and retest casing. MW

TODD LOWER SAN ANDRES UNIT No.295**30-041-20171-00-00**

Active Injection - (All Types)

O-29-7S-36E

Test Date:	10/22/2008	Permitted Injection PSI:	Actual PSI:
Test Reason:	5-year Test	Test Result:	Repair Due:
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	FAIL CAUSE:
Comments on MIT:	4 ATTEMPTS TO PRESSURE UP. 320 TO 120 IN 2 MINUTES. MICKEY RIVAS SHUT IN WELL. MGB.		

TODD LOWER SAN ANDRES UNIT No.293**30-041-20683-00-00**

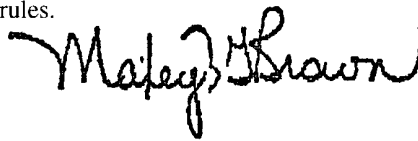
Active Injection - (All Types)

M-29-7S-36E

Test Date:	10/22/2008	Permitted Injection PSI:	Actual PSI:
Test Reason:	5-year Test	Test Result:	Repair Due:
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	FAIL CAUSE:
Comments on MIT:	TBG AND PROD CSG COMMUNICATED. MGB.		

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,

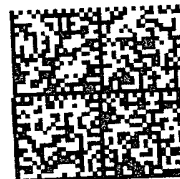
**COMPLIANCE OFFICER**

Hobbs OCD District Office

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

**FIRST
CLASS**



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HOUSTON TX 77210-4294