

# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**

Governor

**Jim Noel**

Cabinet Secretary

**Karen W. Garcia**

Deputy Cabinet Secretary

**Mark Fesmire**

Division Director

**Oil Conservation Division**



05-Aug-10

**PALADIN ENERGY CORP**

10290 MONROE DRIVE STE 301

DALLAS TX 75229-

**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***

**NEW MEXICO BB STATE No.001**

**30-025-00109-00-00**

Active Salt Water Disposal Well

K-11-12S-32E

**Test Date:** 8/5/2010

**Permitted Injection PSI:**

**Actual PSI:**

**Test Reason:** Annual IMIT

**Test Result:** F

**Repair Due:** 11/8/2010

**Test Type:** Bradenhead Test

**FAIL TYPE:** Other Internal Failure

**FAIL CAUSE:**

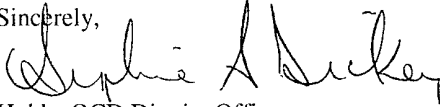
**Comments on MIT:** OPENED CASING VALVE SHOWED GAS AND OILY SUBSTANCE; SHUT VALVE AND GAGED W/600# GAGE NO PRESSURE; OPENED UP CASING BLED OFF OILY SUBSTANCE AND GAS; INTERMEDIATE VALVE HAS GAS; PLACED GAGE SHOWED 110#; TRIED TO BLEED INT. SHOWED OILY FLUID AND GAS SHUT IN; DID NOT ATTEMPT TO BLEED DOWN; OPENED UP CASING AGAIN BLED OILY SUBSTANCE-WHILE CASING OPEN INTERMEDIATE SHOWED LOSS IN PRESS FROM 110# TO 50# IMMEDIATELY; FAILED BHT\*\*\*OPERATOR IN VIOLATION OF NMOCDD RULE 19.15.26.11 \*\*\*\*\*

Oil Conservation Division  
1625 French Drive • Hobbs, New Mexico 88240  
Phone (575) 393-6161 • Fax (575) 393-0720 • [www.emnrd.state.nm.us/OCD](http://www.emnrd.state.nm.us/OCD)



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,

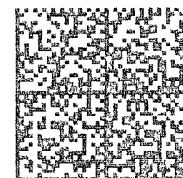


Hobbs OCD District Office

**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



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**\$0.44**

08/05/2010

Mailed From 88240

US POSTAGE

PALADIN ENERGY CORP.  
10290 MONROE DRIVE  
STE. 301  
DALLAS, TX 75229