

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

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Cabinet Secretary

Karen W. Garcia

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Mark Fesmire

Division Director

Oil Conservation Division



11-Aug-10

PRIDE ENERGY COMPANY

P.O. BOX 701602

TULSA OK 74170-1602

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

SOUTH FOUR LAKES UNIT No.005

30-025-01833-00-00

C-2-12S-34E

Active Salt Water Disposal Well

Test Date: 8/11/2010

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 11/14/2010

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: PER OPERATOR REP. CONCEDES AS FAILED WELL WILL NOT HOLD MECHANICAL INTEGRITY;
****OPERATOR IN VIOLATIO OF NMOC D RULE 19.15.26.11*****

SOUTH FOUR LAKES UNIT No.006

30-025-01834-00-00

I-2-12S-34E

Approved TA Salt Water Disposal Well

Test Date: 8/11/2010

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 11/14/2010

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: OCD REP. PERFORMED TEST; 2" RISER ABOVE GROUND SHOWS OILY FLUID AND PRESSURE; DID NOT ATTEMPT TO BLEED DOWN; CONTACTED PUMPER; SHANE FERGUSON WILL GAGE AND BLEED 2" DOWN; ALSO NEED TO DIG OUT TO DETERMINE WHETHER 2" IS SURFACE OR INTERMEDIATE; PRIOR WELLBORE SCHEMATIC SHOWS 7", 9 5/8" AND 13 3/8";

Oil Conservation Division

1625 French Drive • Hobbs, New Mexico 88240

Phone (575) 393-6161 • Fax (575) 393-0720 • www.emnrd.state.nm.us/OCD



NM 83 STATE SWD No.001

30-025-23516-00-00

Active Salt Water Disposal Well

J-33-14S-34E

Test Date: 8/11/2010
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: NO Company Rep to witness test. ****OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*****Operator needs to TA, P&A or place back on active status*****

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 11/14/2010
FAIL CAUSE:

SOUTH FOUR LAKES UNIT No.008

30-025-29533-00-00

Active Salt Water Disposal Well

A-2-12S-34E

Test Date: 8/11/2010
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: PER OPERATOR REP. CONCEDES AS FAILED WELL WILL NOT HOLD MECHANICAL INTEGRITY; ****OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*****

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 11/14/2010
FAIL CAUSE:

SOUTH FOUR LAKES UNIT No.013

30-025-36528-00-00

Active Salt Water Disposal Well

L-1-12S-34E

Test Date: 8/11/2010
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: FAILED BHT; UNABLE TO TEST SURFACE CASING; ****OPERATOR IN VIOLATION OF NMOCD RULE 19.16.26.11*****

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 11/14/2010
FAIL CAUSE:

PADUCA DELAWARE 16 STATE No.001

30-025-37308-00-00

Active Injection - (All Types)

C-16-25S-32E

Test Date: 8/11/2010
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: WELL FAILED BHT; CASING WAS TIED TO SAME INJECTION LINE TIED INTO TUBING; INFORMED MATT PRIDE OF SURFACE EQUIPMENT AND FAILED WELL RESULTS; CASING 140# AND TUBING 140#; ****OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*****

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI:
Repair Due: 11/14/2010
FAIL CAUSE:

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,

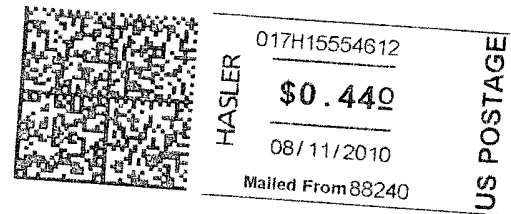


Hobbs OCD District Office

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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TULSA, OK 74170