



New Mexico Energy, Minerals and Natural Resources Department

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Oil Conservation Division



02-Dec-10

YATES PETROLEUM CORPORATION
105 S 4TH ST
ARTESIA NM 88210-

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

LOVELADY SWD No.001

30-005-20474-00-00

Active Salt Water Disposal Well

J-31-8S-33E

Test Date:	12/1/2010	Permitted Injection PSI:		Actual PSI:	
Test Reason:	5-year Test	Test Result:	F	Repair Due:	3/6/2011
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	WELLWOULD NOT HOLD PRESSURE; FAILED PT *****OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*****				

STATE 3 SWD No.001

30-025-25686-00-00

Active Salt Water Disposal Well

G-3-9S-32E

Test Date:	12/1/2010	Permitted Injection PSI:		Actual PSI:	
Test Reason:	Annual IMIT	Test Result:	F	Repair Due:	3/6/2011
Test Type:	Bradenhead Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	***CASING HAS 1300# PRESSURE DID NOT ATTEMPT TO BLEED DOWN; WELL FAILED BHT*** OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*****				

TENNECO SWD No.001

30-025-25762-00-00

Active Salt Water Disposal Well

P-2-11S-34E

Test Date:	12/1/2010	Permitted Injection PSI:		Actual PSI:	
Test Reason:	5-year Test	Test Result:	F	Repair Due:	3/6/2011
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	WELL WOULD NOT LOAD; USED 297 BBLs OF FLUID WOULD NOT LOAD TO PRESSURE UP FOR TEST; *****INFORMED OPERATOR TO SHUT WELL IN UNTIL REPAIRS ARE PERFORMED AND APPROVED***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11***				

Oil Conservation Division * 1625 N. French Dr.*

* Hobbs, New Mexico 88240

* Phone: (575) 393-6161 * Fax (575) 393-0720* <http://www.emnrd.state.nm.us>



LOTUS SWD No.001

30-025-36004-00-00

Active Salt Water Disposal Well

A-32-22S-32E

Test Date: 12/2/2010

Permitted Injection PSI:

Actual PSI:

Test Reason: 5-year Test

Test Result: F

Repair Due: 3/7/2011

Test Type: Std. Annulus Pres. Test

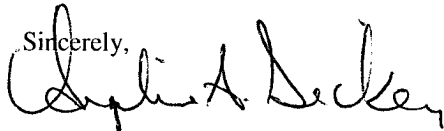
FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: *****WELL IS DOWN; OPERATOR DID NOT TEST*****PRIOR WORK PERFORMED TO REPAIR WELL UNSUCCESSFUL*** *****OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****

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,



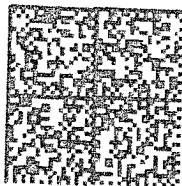
Hobbs OCD District Office

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

YATES PETROLEUM CORP.
105 S. 4TH STREET
ARTESIA, NM 88210



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12/02/10

Mailed From 88240

US POSTAGE