



# 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



16-Dec-10

**CHEVRON MIDCONTINENT, L.P.**  
15 Smith Road  
Midland TX 79705-0000

**CHEVRON USA INC.**  
HCR 60 BOX 423  
LOVINGTON, NM 88260

## 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

#### LOVINGTON SAN ANDRES UNIT No.004

30-025-03778-00-00  
B-36-16S-36E

Approved TA Injection - (All Types)

|                                                                                                                                                                                                                                                                       |                                          |                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------|
| <b>Test Date:</b> 11/18/2010                                                                                                                                                                                                                                          | <b>Permitted Injection PSI:</b>          | <b>Actual PSI:</b>           |
| <b>Test Reason:</b> Annual IMIT                                                                                                                                                                                                                                       | <b>Test Result:</b> F                    | <b>Repair Due:</b> 3/30/2011 |
| <b>Test Type:</b> Bradenhead Test                                                                                                                                                                                                                                     | <b>FAIL TYPE:</b> Other Internal Failure | <b>FAIL CAUSE:</b>           |
| <b>Comments on MIT:</b> *****PRESSURE ON INTERMEDIATE BLED DOWN TO 0- COMMUNICATION BETWEEN INTERMEDIATE AND PRODUCTION CASING-WHILE INTERMEDIATE WAS BLED DOWN CASING PRESSURE DECLINED 50#*****FAILED BHT*****OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11***** |                                          |                              |

#### LOVINGTON SAN ANDRES UNIT No.012

30-025-03789-00-00  
K-36-16S-36E

Active Injection - (All Types)

|                                                                                                                                                                  |                                          |                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------|
| <b>Test Date:</b> 11/4/2010                                                                                                                                      | <b>Permitted Injection PSI:</b>          | <b>Actual PSI:</b>           |
| <b>Test Reason:</b> 5-year Test                                                                                                                                  | <b>Test Result:</b> F                    | <b>Repair Due:</b> 3/30/2011 |
| <b>Test Type:</b> Std. Annulus Pres. Test                                                                                                                        | <b>FAIL TYPE:</b> Other Internal Failure | <b>FAIL CAUSE:</b>           |
| <b>Comments on MIT:</b> ***OPERATOR CONCEDES WELL WILL NOT SUSTAIN MECHANICAL INTEGRITY*** FAILED PRE-TEST-OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11***** |                                          |                              |

Oil Conservation Division \* 1625 N. French Drive \* Hobbs, New Mexico 88240  
Phone: 505-393-6161 \* Fax: 505-393-0720 \* <http://www.emnrd.state.nm.us>



**LOVINGTON SAN ANDRES UNIT No.003**

**30-025-03790-00-00**

C-36-16S-36E

Approved TA Injection - (All Types)

|                  |                                                                                                                                                                            |                          |             |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Test Date:       | 11/18/2010                                                                                                                                                                 | Permitted Injection PSI: | Actual PSI: |
| Test Reason:     | Annual IMIT                                                                                                                                                                | Test Result:             | Repair Due: |
| Test Type:       | Bradenhead Test                                                                                                                                                            | FAIL TYPE:               | FAIL CAUSE: |
| Comments on MIT: | CASING HAS EXCESSIVE PRESSURE; BLED DOWN; COMMENCED TO INCREASE IN PRESSURE WITHIN 1 MINUTE TO 100#*** FAILED BHT *****OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11***** |                          |             |

**LOVINGTON PADDOCK UNIT No.029**

**30-025-03793-00-00**

K-36-16S-36E

Active Injection - (All Types)

|                  |                                                                                                                                       |                          |             |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Test Date:       | 11/4/2010                                                                                                                             | 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: | ***OPERATOR CONCEDES WELL WILL NOT SUSTAIN MECHANICAL INTEGRITY*** FAILED PRE-TEST-OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11**** |                          |             |

**WEST LOVINGTON UNIT No.035**

**30-025-03872-00-00**

N-4-17S-36E

Active Injection - (All Types)

|                  |                                                                                                                                                           |                          |             |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Test Date:       | 11/23/2010                                                                                                                                                | Permitted Injection PSI: | Actual PSI: |
| Test Reason:     | Annual IMIT                                                                                                                                               | Test Result:             | Repair Due: |
| Test Type:       | Bradenhead Test                                                                                                                                           | FAIL TYPE:               | FAIL CAUSE: |
| Comments on MIT: | ****SHUT IN PENDING EVALUATION***** OPERATOR CONCEDES WELL WILL NOT SUSTAIN MECHANICAL INTEGRITY*** **OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11***** |                          |             |

**WEST LOVINGTON UNIT No.032**

**30-025-03883-00-00**

O-5-17S-36E

Active Injection - (All Types)

|                  |                                                                                                                                          |                          |             |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Test Date:       | 11/23/2010                                                                                                                               | Permitted Injection PSI: | Actual PSI: |
| Test Reason:     | Annual IMIT                                                                                                                              | Test Result:             | Repair Due: |
| Test Type:       | Bradenhead Test                                                                                                                          | FAIL TYPE:               | FAIL CAUSE: |
| Comments on MIT: | OILY FLUID ON CASING-DID NOT ATTEMPT TO BLEED DOWN****OPERATOR NEEDS TO BLEED CASING TO TRUCK-PERFORM PT TO SHOW MECHANICAL INTEGRITY*** |                          |             |

**LOVINGTON PADDOCK UNIT No.054**

**30-025-05415-00-00**

H-6-17S-37E

Approved TA Injection - (All Types)

|                  |                                                                                                                                       |                          |             |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Test Date:       | 11/4/2010                                                                                                                             | 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: | ***OPERATOR CONCEDES WELL WILL NOT SUSTAIN MECHANICAL INTEGRITY*** FAILED PRE-TEST-OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11**** |                          |             |

**LOVINGTON PADDOCK UNIT No.051**

**30-025-05426-00-00**

C-6-17S-37E

Active Injection - (All Types)

|                  |                                                                                                                                                |                          |             |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Test Date:       | 11/18/2010                                                                                                                                     | Permitted Injection PSI: | Actual PSI: |
| Test Reason:     | Annual IMIT                                                                                                                                    | Test Result:             | Repair Due: |
| Test Type:       | Bradenhead Test                                                                                                                                | FAIL TYPE:               | FAIL CAUSE: |
| Comments on MIT: | *****EXCESSIVE PRESSURE ON CASING**** ALSO SALT WATER ON SURFACE CASING *****FAILED BHT****OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11***** |                          |             |

**WEST LOVINGTON UNIT No.082**

**30-025-31266-00-00**

G-7-17S-36E

Active Injection - (All Types)

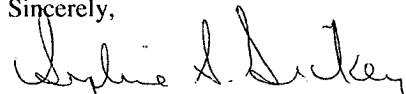
|                  |                                                                                                                                           |                          |             |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| Test Date:       | 11/23/2010                                                                                                                                | Permitted Injection PSI: | Actual PSI: |
| Test Reason:     | Annual IMIT                                                                                                                               | Test Result:             | Repair Due: |
| Test Type:       | Bradenhead Test                                                                                                                           | FAIL TYPE:               | FAIL CAUSE: |
| Comments on MIT: | *****CASING HAD 800# BLED TO 0. CASING COMMENCED TO SHOW OILY FLUID ****FAILED BHT****OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11***** |                          |             |

December 16, 2010

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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,

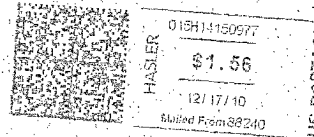


Hobbs OCD District Office

**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.

ERVATION DIVISION  
NCH DRIVE  
I 88240



CHEVRON USA INC.  
ATTN: COMPLIANCE/REGULATIONS  
15 SMITH ROAD  
MIDLAND, TX 79705

ATION DIVISION  
H DRIVE  
8240

CHEVRON USA INC.  
HCR 60 BOX 423  
LOVINGTON, NM 88260



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US POSTAGE