

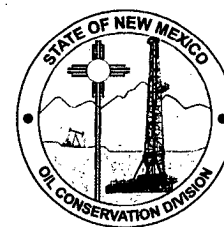


New Mexico Energy, Minerals and Natural Resources Department

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)

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:	*****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 NMOCD RULE 19.15.26.11*****		

LOVINGTON SAN ANDRES UNIT No.012

30-025-03789-00-00
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 NMOCD 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: F

Repair Due: 3/30/2011

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

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 NMOCD 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: F

Repair Due: 3/30/2011

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: ***OPERATOR CONCEDES WELL WILL NOT SUSTAIN MECHANICAL INTEGRITY*** FAILED PRE-
TEST-OPERATOR IN VIOLATION OF NMOCD 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: F

Repair Due: 3/30/2011

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: ****SHUT IN PENDING EVALUATION***** OPERATOR CONCEDES WELL WILL NOT SUSTAIN
MECHANICAL INTEGRITY*** **OPERATOR IN VIOLATION OF NMOCD 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: F

Repair Due: 3/30/2011

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

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: F

Repair Due: 3/30/2011

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: ***OPERATOR CONCEDES WELL WILL NOT SUSTAIN MECHANICAL INTEGRITY*** FAILED PRE-
TEST-OPERATOR IN VIOLATION OF NMOCD 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: F

Repair Due: 3/30/2011

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: *****EXCESSIVE PRESSURE ON CASING**** ALSO SALT WATER ON SURFACE CASING
*****FAILED BHT****OPERATOR IN VIOLATION OF NMOCD 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: F

Repair Due: 3/30/2011

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

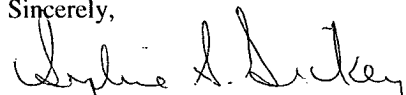
Comments on MIT: *****CASING HAD 800# BLED TO 0. CASING COMMENCED TO SHOW OILY FLUID ****FAILED
BHT****OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11*****

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,

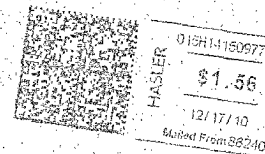


Hobbs OCD District Office

COMPLIANCE OFFICER

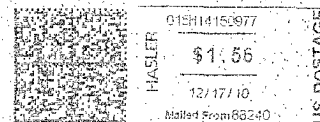
Note: Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and 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.

RVATION DIVISION
NCH DRIVE
I 88240



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

ERVATION DIVISION
NCH DRIVE
I 88240



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