

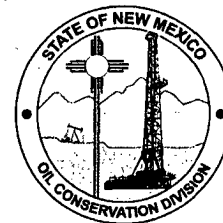


New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary
Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



16-Dec-10

CHEVRON U S A INC
15 SMITH ROAD
MIDLAND TX 79705-

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

WEST VACUUM UNIT No.027

Active Injection - (All Types)

30-025-02206-00-00
K-34-17S-34E

Test Date:	11/30/2010	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 NMOC D RULE 19.15.26.11****				

VACUUM GLORIETA WEST UNIT No.087

Active Oil (Producing)

30-025-21637-00-00
J-36-17S-34E

Test Date:	11/15/2010	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:	WELL IS SHUT IN; INTERMEDIATE IS CURRENTLY TIED TO TANK AND IS BEING BLED DOWN***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>



NORTH VACUUM ABO WEST UNIT No.004

30-025-23735-00-00

Active Injection - (All Types)

N-15-17S-34E

Test Date: 11/17/2010 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: SURFACE CASING SHOWS SALT WATER WOULD NOT BLEED DOWN ***OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11*****

NORTH VACUUM ABO WEST UNIT No.022

30-025-23916-00-00

Active Injection - (All Types)

N-27-17S-34E

Test Date: 11/2/2010 Permitted Injection PSI: Actual PSI:
Test Reason: Operator Reported 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*** **OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11****

NORTH VACUUM ABO WEST UNIT No.014

30-025-23944-00-00

Active Oil (Producing)

B-28-17S-34E

Test Date: 11/17/2010 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: ***OIL ON SURFACE CASING***OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11*****

VACUUM GRAYBURG SAN ANDRES UNIT No.029

30-025-24313-00-00

Active Injection - (All Types)

E-2-18S-34E

Test Date: 11/23/2010 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: ***CASING HAS A STRONG VACUUM: WELL WOULD NOT PRESSURE UP FOR PRESSURE TEST- WELL FAILED PT ***OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11*****

VACUUM GRAYBURG SAN ANDRES UNIT No.046

30-025-24364-00-00

Active Injection - (All Types)

H-2-18S-34E

Test Date: 11/10/2010 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: FAILED BHT COMMUNICATION BETWEEN TUBING AND CASING; *****OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11*****

NORTH VACUUM ABO WEST UNIT No.002

30-025-24679-00-00

Active Injection - (All Types)

F-15-17S-34E

Test Date: 11/2/2010 Permitted Injection PSI: Actual PSI:
Test Reason: Operator Reported 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*** **OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11****

CENTRAL VACUUM UNIT No.081

30-025-25708-00-00

Active Injection - (All Types)

L-36-17S-34E

Test Date: 11/4/2010 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: OPERATOR CONCEDES DOWNHOLE FAILURE *****OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.11*****

CENTRAL VACUUM UNIT No.044

30-025-25719-00-00
D-31-17S-35E

Active Injection - (All Types)

Test Date:	11/2/2010	Permitted Injection PSI:	Actual PSI:
Test Reason:	Operator Reported	Test Result:	Repair Due:
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	FAIL CAUSE:
Comments on MIT:	OPERATOR CONCEDES WELL WILL NOT PASS MECHANICAL INTEGRITY TEST; ****OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****		

CENTRAL VACUUM UNIT No.113

30-025-25798-00-00
L-6-18S-35E

Active Injection - (All Types)

Test Date:	11/2/2010	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 CASING 1150# DID NOT ATTEMPT TO BLEED***REQUIRED OPERATOR TO SHUT IN IMMEDIATELY***** **OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****		

CENTRAL VACUUM UNIT No.013

30-025-25810-00-00
H-25-17S-34E

Active Injection - (All Types)

Test Date:	11/22/2010	Permitted Injection PSI:	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	Repair Due:
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	FAIL CAUSE:
Comments on MIT:	*****WELL FAILED PT DURING PRETEST- ALSO FAILED 2ND PRESSURE TEST**** OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****		

CENTRAL VACUUM UNIT No.046

30-025-25818-00-00
A-31-17S-35E

Active Injection - (All Types)

Test Date:	11/4/2010	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 SHOWS PRESSURE; BLED DOWN TO 0; IMMEDIATELY BUILDS BACK UP**** OPERATOR MUST SHOW WELL SUSTAINS MECHANICAL INTEGRITY; OCD REQUESTS PRESSURE TEST CHART BE PERFORMED ON SAID WELL. ****OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****		

CENTRAL VACUUM UNIT No.137

30-025-25998-00-00
D-6-18S-35E

Active Injection - (All Types)

Test Date:	11/2/2010	Permitted Injection PSI:	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	Repair Due:
Test Type:	Bradenhead Test	FAIL TYPE:	FAIL CAUSE:
Comments on MIT:	BHT FAILURE; *****800# ON CASING/ OPERATOR HAS WELL SHUT IN PENDING EVALUATION****OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****		

CENTRAL VACUUM UNIT No.141

30-025-26001-00-00
M-36-17S-34E

Active Injection - (All Types)

Test Date:	11/9/2010	Permitted Injection PSI:	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	Repair Due:
Test Type:	Bradenhead Test	FAIL TYPE:	FAIL CAUSE:
Comments on MIT:	***FAILED BHT DUE TO EXCESSIVE PRESSURE ON CASING STRING 1200 PSI- OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****		

CENTRAL VACUUM UNIT No.143

30-025-26787-00-00
A-6-18S-35E

Active Injection - (All Types)

Test Date:	11/2/2010	Permitted Injection PSI:	Actual PSI:
Test Reason:	Annual IMIT	Test Result:	Repair Due:
Test Type:	Bradenhead Test	FAIL TYPE:	FAIL CAUSE:
Comments on MIT:	COMMUNICATION BETWEEN CASING AND INTERMEDIATE STRING; OPERATOR HAS WELL SHUT IN PENDING WORKOVER *****OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*****		

CENTRAL VACUUM UNIT No.145

30-025-26789-00-00

Active Injection - (All Types)

N-31-17S-35E

Test Date: 11/4/2010 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 DID NOT BLEED DOWN****WELL FAILED BHT***OPERATOR IN VIOLATION OF
NMOCD RULE 19.15.26.11*****

CENTRAL VACUUM UNIT No.146

30-025-26790-00-00

Active Injection - (All Types)

G-31-17S-35E

Test Date: 11/4/2010 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 WOULD NOT BLEED DOWN****WELL FAILED BHT****OPERATOR IN VIOLATION OF
NMOCD RULE 19.15.26.11****

CENTRAL VACUUM UNIT No.160

30-025-27970-00-00

Active Injection - (All Types)

E-36-17S-34E

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****

VACUUM GRAYBURG SAN ANDRES UNIT No.122

30-025-30721-00-00

Active Injection - (All Types)

H-1-18S-34E

Test Date: 11/10/2010 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 3/30/2011
Test Type: Std. Annulus Pres. Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: ****PER OPERATOR FAILED PRE TEST ****

VACUUM GLORIETA WEST UNIT No.072Y

30-025-30779-00-00

Active Oil (Producing)

E-36-17S-34E

Test Date: 11/15/2010 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: ****WELL IS SHUT IN PENDING WORKOVER ****

VACUUM GLORIETA WEST UNIT No.052

30-025-31702-00-00

Active Injection - (All Types)

N-25-17S-34E

Test Date: 11/2/2010 Permitted Injection PSI: Actual PSI:
Test Reason: Operator Reported Test Result: F Repair Due: 3/30/2011
Test Type: Std. Annulus Pres. Test FAIL TYPE: FAIL CAUSE:
Comments on MIT: OPERATOR CONCEDES WELL WILL NOT SUSTAIN MECHANICAL INTEGRITY*** ****OPERATOR
IN VIOLATION OF NMOCD RULE 19.15.26.11*****

VACUUM GLORIETA WEST UNIT No.011

30-025-31837-00-00

Active Injection - (All Types)

B-25-17S-34E

Test Date: 11/2/2010 Permitted Injection PSI: Actual PSI:
Test Reason: Operator Reported 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*** ****OPERATOR
IN VIOLATION OF NMOCD RULE 19.15.26.11****

VACUUM GLORIETA WEST UNIT No.091

30-025-31873-00-00

Active Injection - (All Types)

I-35-17S-34E

Test Date: 11/15/2010 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 HAS SMALL CASING LEAK ****OPERATOR IN VIOLATION OF NMOC
D RULE 19.15.26.11 ****

CENTRAL VACUUM UNIT No.200

30-025-32805-00-00

Active Injection - (All Types)

C-6-18S-35E

Test Date: 11/9/2010 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 WOULD NOT BLEED DOWN-FAILED BHT****OPERATOR IN VIOLATION OF NMOC
D RULE 19.15.26.11 *****

NORTH VACUUM ABO WEST UNIT No.032

30-025-34094-00-00

Active Oil (Producing)

D-27-17S-34E

Test Date: 11/17/2010 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: *****SALT WATER ON SURFACE***** OPERATOR IN VIOLATION OF NMOC
D RULE 19.15.26.11 *****

VACUUM GRAYBURG SAN ANDRES UNIT No.249

30-025-35563-00-00

Active Injection - (All Types)

F-1-18S-34E

Test Date: 11/2/2010 Permitted Injection PSI: Actual PSI:
Test Reason: Operator Reported 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*** **OPERATOR
IN VIOLATION OF NMOC D RULE 19.15.26.11 ****

CENTRAL VACUUM UNIT No.260

30-025-37233-00-00

Active Injection - (All Types)

C-31-17S-35E

Test Date: 11/4/2010 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 DID NOT BLEED DOWN****FAILED BHT****OPERATOR IN VIOLATION OF NMOC
D RULE 19.15.26.11 ****

CENTRAL VACUUM UNIT No.238

30-025-38849-00-00

Active Injection - (All Types)

P-36-17S-34E

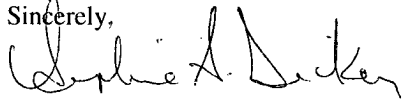
Test Date: 11/4/2010 Permitted Injection PSI: Actual PSI:
Test Reason: Annual IMIT Test Result: F Repair Due: 3/30/2011
Test Type: Bradenhead Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: COMMUNICATION BETWEEN INTERMEDIATE AND PRODUCTION CASING; ***WELL FAILED
BHT***OPERATOR IN VIOLATION OF NMOC D 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,



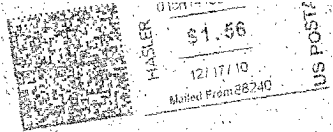
Hobbs OCD District Office

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.

ION DIVISION
DRIVE
40

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



RVATION DIVISION
CH DRIVE
88240

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



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