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OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

JAN 11 2011

HOBBSOCD

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-005-20474
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other SWD <input checked="" type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Yates Petroleum Corporation		6. State Oil & Gas Lease No. K-6795
3. Address of Operator 105 South Fourth Street, Artesia, NM 88210		7. Lease Name or Unit Agreement Name Lovelady SWD
4. Well Location Unit Letter <u>J</u> : <u>1980</u> feet from the <u>South</u> line and <u>1980</u> feet from the <u>East</u> line Section <u>31</u> Township <u>8S</u> Range <u>33E</u> NMPM Chaves County <input checked="" type="checkbox"/>		8. Well Number 1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 4388'GR		9. OGRID Number 025575
		10. Pool name or Wildcat SWD; San Andres <input checked="" type="checkbox"/>

## 12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

## NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
 PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐  
 DOWNHOLE COMMINGLE ☐

OTHER: ☐

## SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
 COMMENCE DRILLING OPNS. ☐ P AND A ☐  
 CASING/CEMENT JOB ☐

OTHER: MIT ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

12/7/10 – Rigged up. Bled well down and unflanged well.

12/8/10 – Pumped 50 bbls hot water down tubing to finish cleaning tubing.

12/15/10 – Bled well down. TIH with 126 jts and circulated fluid and ND BOP. Set AS-1 packer at 4127' and flanged well up. Tested to 540 psi for 30 min, held good. 2-7/8" L-80 tubing at 4133'. Sylvia Dickey NMOCD-Hobbs was notified of MIT, no witness on location. Original MIT attached.

Spud Date:

Rig Release Date:

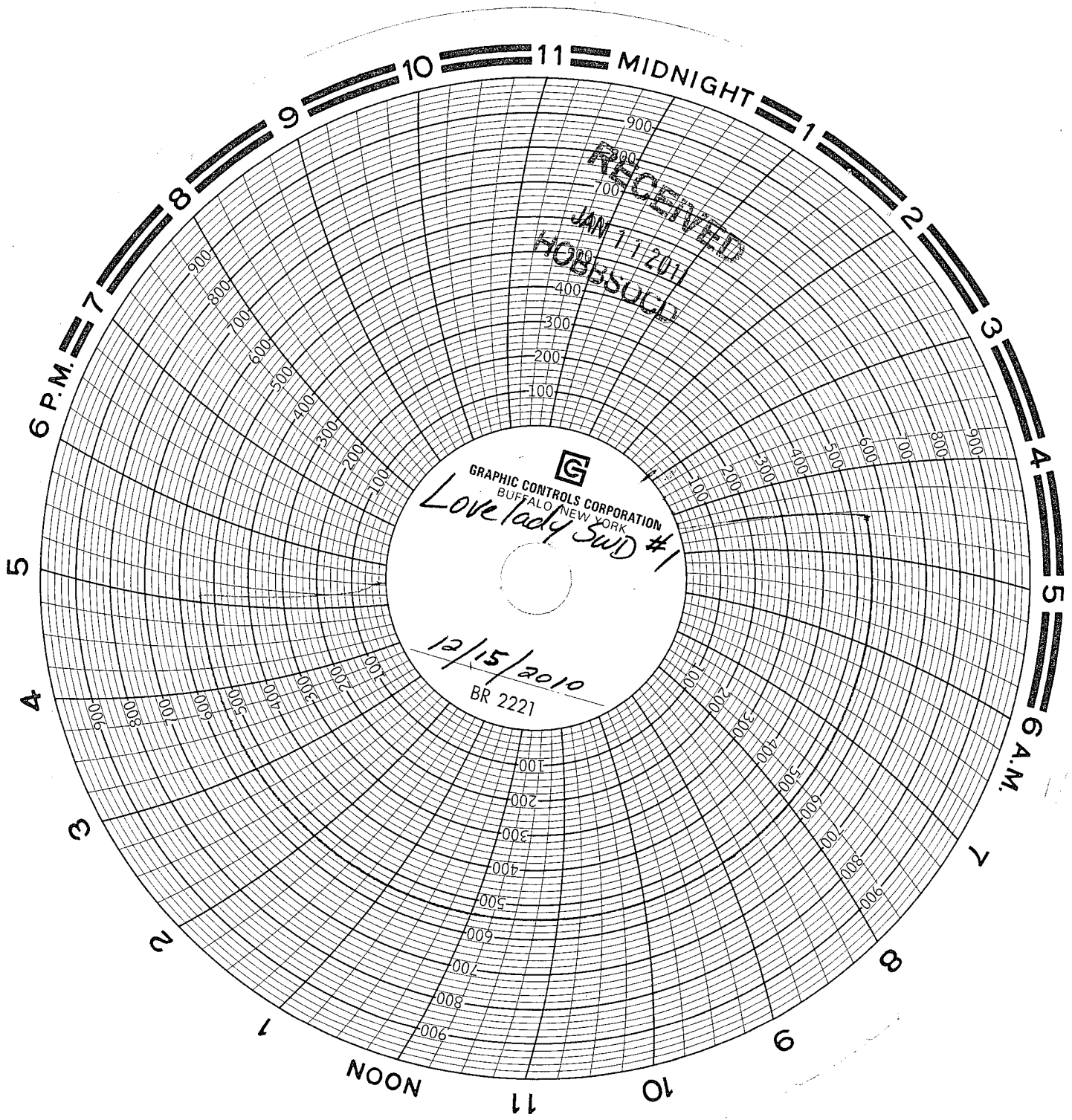
I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Tina Huerta TITLE Regulatory Compliance Supervisor DATE January 10, 2011Type or print name Tina Huerta E-mail address: tinah@yatespetroleum.com PHONE: 575-748-4168

For State Use Only

APPROVED BY: [Signature] TITLE STAFF MIT DATE 1-13-2011

Conditions of Approval (if any):



RECEIVED  
JAN 11 2011  
HOBBSCU

GRAPHIC CONTROLS CORPORATION  
BUFFALO NEW YORK  
*Love lady SWD #1*  
*12/15/2010*  
BR 2221

6 P.M. 7 8 9 10 11 MIDNIGHT 1 2 3 4 5 6 A.M. 7 8 9 10 11 NOON

# New Mexico Energy, Minerals and Natural Resources Department

WADE LEROY NOEL  
JOEL

**Bill Richardson**  
Governor

**Jim Noel**  
Cabinet Secretary  
**Karen W. Garcia**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



DEC 06 2010

PRODUCTION DEPARTMENT  
RECEIVED

RECEIVED

DEC 06 2010

YPC  
MAIL ROOM

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

Completed  
1-10-11

Test Date:	12/1/2010	Permitted Injection PSI:	Actual PSI:
Test Reason:	5-year Test	Test Result:	Repair Due:
Test Type:	Std. Annulus Pres. Test	FAIL TYPE: Other Internal Failure	FAIL CAUSE:
Comments on MIT:	WELL WOULD 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:	Repair Due:
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:	Repair Due:
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>

