

New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Harrison R. Schmitt
Cabinet Secretary-Designate

Daniel Sanchez
Acting-Division Director
Oil Conservation Division



****Response Required****

February 1, 2011

Chevron Midcontinent, L.P.
15 Smith Road
Midland, TX 79705

Dear Operator:

On December 16, 2010, a "Letter of Violation and Shut In Directive" was mailed to your address referenced above and the Chevron Buckeye Field Office, located at 56 Texas Camp Road, Lovington, NM, 88260.

Within this letter, non-compliant and shut in directives were listed for, but not limited to the following wells.

Lovington San Andres well #4 - located in Unit B, Sec.36-T16s-R36e - API #30-025-03778
West Lovington Unit well #32 - located in Unit O Sec.5-T17s-R36e - API #30-025-03883
West Lovington Unit well #82 - located in Unit G Sec.7-T17s-R36e - API #30-025-31266

According to OCD Rule 19.15.26.10A NMAC

The operator of an injection well shall equip, operate, monitor and maintain the well to facilitate periodic testing and to assure continued mechanical integrity that will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement through vertical channels adjacent to the wellbore.

According to OCD Rule 19.15.26.10B NMAC

The operator of an injection project shall operate and maintain at all times the injection project, including injection wells, producing wells and related surface facilities, in such a manner as will confine the injected fluids to the interval or intervals approved and prevent surface damage or pollution resulting from leaks, breaks or spills.

On November 23, 2010, West Lovington Unit Well #32 and West Lovington Unit Well #82 failed the Annual UIC Testing. On November 18, 2010 the Lovington San Andres Unit Well #4 failed the Annual UIC Testing. Each inspection performed resulted in the State of New Mexico's

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decision to enforce the above referenced State Rules. The State of New Mexico concurred that the wells above had potential for a possible casing leak and/or justified the lack of mechanical integrity for these wells.

On January 28, 2011 Maxey Brown of the Hobbs OCD office re-inspected the West Lovington Unit Well #32, at the Operator's request. As a result of his witnessing and inspection, Mr. Maxey Brown confirmed that the well was still in violation of NMOCD Rules. In addition, this well was being operated by Chevron MidContinent, L.P., as an *active well*.

On January 28, 2011 Maxey Brown also re-inspected the West Lovington Unit Well #82, at the Operator's request. As a result of his witnessing and inspection, Mr. Maxey Brown confirmed that this well was still in violation of NMOCD Rules. In addition this well was also being operated by Chevron MidContinent, L.P., as an *active well*.

On January 28, 2011 Maxey Brown also re-inspected the Lovington San Andres Unit Well #4 at the Operator's request. As a result of his witnessing and inspection, Mr. Maxey Brown confirmed that this well was still in violation of NMOCD Rules. In addition this well was also being operated by Chevron MidContinent, L.P., as an *active well*.

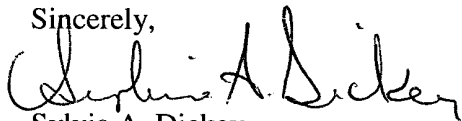
According to the New Mexico Underground Injection Control Program Section VI Part A2

A well operated as an *active well* after the well has been determined as lacking mechanical integrity must be recognized as a ***Significant Non-Compliance*** well and submitted to EPA Region IV, for further enforcement.

At this time the OCD District I office is informing Operator that the West Lovington Unit Well #32, the West Lovington Unit Well #82 and the Lovington San Andres Unit Well #4, **be shut in and remain shut in until repairs are performed and approved by the District I OCD Office.**

The OCD District I Office requests that a Notice of Intent C103 Form be submitted to our office no later than February 21, 2011 detailing the Operator's intentions for repairs and/or a status approved to bring said wells into compliance to New Mexico OCD Rules and requirements of the EPA UIC Program.

Sincerely,

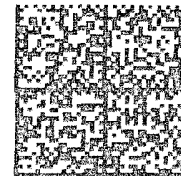


Sylvia A. Dickey

Field Compliance Officer-UIC Program
Hobbs OCD District I Office

Ec: Tejay Simpson – Chevron
EL Gonzales – Hobbs
Maxey Brown – Hobbs
UIC

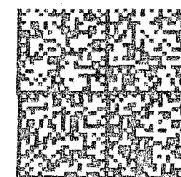
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