

New Mexico Energy, Minerals and Natural Resources Department

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Division Director
Oil Conservation Division



May 19, 2011

Roger Slayton d/b/a Escudilla Oil Company
P.O. Box 687
Roswell, NM 88202

Re: Termination of Injection Authority
Operator: Roger Slayton d/b/a Escudilla Oil Company, OGRID #228270
Well: Neff 13 Federal #5, API #30-005-10002

Dear Operator:

On January 20, 2010, the Neff 13 Federal #5 failed a mechanical integrity test (MIT). According to Oil Conservation Division (OCD) records, the Neff 13 Federal #5 is a salt water disposal well, and Roger Slayton d/b/a Escudilla Oil Company (Escudilla) is the well's operator of record. OCD Compliance Officer Richard Inge told Escudilla at that time to shut in the well until repaired. The MIT indicated that the well had a leak.

On February 11, 2010, Compliance Officer Inge sent Escudilla a Letter of Violation and Shut In Directive (LOV) instructing Escudilla to repair the well by May 11, 2010, and to shut in the well until it was repaired. A copy of the LOV is attached. According to the injection reports that Escudilla submitted to the OCD for the well, it injected in January, February, March, April, and May 2010.

When Compliance Officer Inge asked Roger Slayton about the status of the well in January 2011, Mr. Slayton told him that the well was not repaired, it had been shut in since January 20, 2010, and the reports of injection were in error. Despite Mr. Slayton's representation to Mr. Inge in January 2011 that the injection reports for the well were in error, Escudilla has not amended the reports to correctly reflect the noninjection. **Escudilla needs to correct its injection reports for the well immediately.**

Under OCD Rule 19.15.26.12(C) NMAC, the injection authority for a salt water disposal well automatically terminates whenever there is a continuous one year period of non-injection.

OCD Rule 19.15.26.12(C) NMAC states:

C. Abandonment of injection operations.



(1) Whenever there is a continuous one year period of non-injection into all wells in an injection or storage project or into a salt water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto.

(2) For good cause shown, the director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) of Subsection C of 19.15.26.12 NMAC, provided that any such extension may be granted only prior to the end of one year or continuous non-injection, or during the term of a previously granted extension.

Based upon Mr. Slayton's statements to Mr. Inge that the Neff 13 Federal #5 has not injected since January 20, 2011, **the injection authority for the Neff 13 Federal #5 has terminated** by operation of OCD Rule 19.15.26.12(C)(1) NMAC. No extension can be granted now. If you wish to re-inject into this well you will need to apply for a new permit under OCD Rule 19.15.26.8 NMAC.

Please **contact me within 10 days of receipt of this letter** to schedule an administrative conference to discuss the compliance issues surrounding the Neff 13 Federal #5, and what Escudilla is doing to resolve them. My telephone is (505) 476-3493. My email address is daniel.sanchez@state.nm.us. The OCD's attorney might attend the conference, and Escudilla may bring an attorney to the conference.

I would appreciate Escudilla's prompt attention to this matter.

Sincerely,



Daniel Sanchez
New Mexico Underground Injection Control Manager
OCD Enforcement and Compliance Manager

Ec: Jami Bailey, OCD Director
Randy Dade, OCD District 2
Darold Gray, OCD District 2
Richard Inge, OCD District 2
Sonny Swazo, OCD Assistant General Counsel
John Bramhall, BLM