



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez

Governor

John H. Bemis

Cabinet Secretary-Designate

Brett F. Woods, Ph. D.

Acting Cabinet Secretary

HOBBS OCD

MAY 26 2011

RECEIVED

Jamie Bailey

Division Director

Oil Conservation Division



Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

26-May-11

CHEVRON U S A INC

15 SMITH ROAD

MIDLAND TX 79705-

CHEVRON USA INC.

P.O. DRAWER 29

ANDREWS, TX 79714

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 DOLLARHIDE DRINKARD UNIT No.121

30-025-31488-00-00

Active Injection - (All Types)

E-32-24S-38E

Test Date: 5/19/2011

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 8/22/2011

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: 100# ON SURFACE CASING; WHEN BLED DOWN, SURFACE CASING HAD SHOW OF SALT WATER; RAN PRESSURE TEST; WHILE PRESSURING UP ON PRODUCTION CASING, SALT WATER AGAIN COMMENCED TO SHOW ON SURFACE CASING; PRESSURE TEST OKAY; ***FAILURE DUE TO SALT WATER ON SURFACE CASING***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>




May 26, 2011

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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

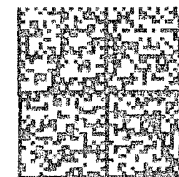
A handwritten signature in black ink, appearing to read "Cynthia A. Dickey". The signature is fluid and cursive, with the first name "Cynthia" being more prominent.

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.

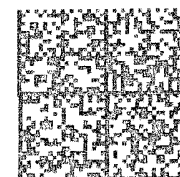
EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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