



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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**GARY E. JOHNSON
GOVERNOR**

**JENNIFER A. SALISBURY
CABINET SECRETARY**

CERTIFIED RECEIPT #P-471-215-168

August 26, 1996

Mr Lynn Shelton
Giant Industries
PO Box 159
Bloomfield NM 87413

RE: Disposal #1, I-27-29N-11W, API# 30-045-29002

Dear Mr. Shelton:

This letter is to confirm our oral authorization of August 23, 1996, for Giant to resume injecting into Disposal #1.

Mr. Denny Foust and I inspected the well site on August 23rd with Ron Weaver and yourself representing Giant Industries. The injection facility was not experiencing any leaks. A continuous pressure recording instrument was in place and recording the injection rate, tubing pressure and annular pressure graphically. Corresponding mechanical gauges were in place and operational. A factory calibrated pressure limiting device was installed to operate at 25 psi below the current permitted injection pressure of 1150 psi. When we tested the pressure limiting device, it indicated a possible shut down pressure of up to 1166 psi. This may be due to the electronic design of the device, pressure surges or other factors. There was also discussion from Mr. Weaver that the flow meter might not be accurately calibrated. I have authorized injection to continue for a period of thirty days to allow for pressure to build up downhole, for the electronic problems to be addressed and for a check to be conducted of the meter. We will conduct another test of the shut down device at the end of thirty days.

In addition, we notified you that the water holding tank appears to lack the one and a third containment volume required by the approved discharge plan. Giant has also failed to file any plans to address the bradenhead gas situation as required in my July 3, 1996, letter. Giant shall take actions including written notification to resolve these two issues within thirty days.

Sincerely,

Frank T. Chavez
District Supervisor

FTC\sh

cc: well file