

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



Administrative Order IPI-445
October 1, 2013

Mr. David Stewart
OXY USA Inc.
PO Box 50250
Midland, TX 79710

RE: Injection Pressure Increase
Disposal Permit: SWD-1244
Pool: SWD; Cherry Canyon formation
Lost Tank 3 Federal Well No. 25 API 30-015-38254
Unit H, Sec 3, T22S, R31E, NMPM, Eddy County, New Mexico

Dear Mr. Stewart:

Reference is made to your request on behalf of OXY USA Inc. (OGRID 16696) received by the Division on August 2, 2013, to increase the maximum allowed surface tubing pressure on the above named well.

This well was permitted by the Division for water disposal in the Cherry Canyon formation of the Delaware Mountain Group by Division administrative Order SWD-1244 approved September 3, 2010. That permit allowed disposal into the Cherry Canyon formation from approximately 5355 feet to 6137 feet. The Division allowed a maximum disposal pressure of 1071 psi with administrative Order SWD-1244.

It is our understanding that this well will not take a sufficient volume of fluid at the current pressure limit and a higher pressure limit is needed. It is also understood that an increase will not result in the fracturing of the formation and confining strata.

Based on a step rate test for this well run June 21, 2013, through 2 7/8-inch tubing, you are hereby authorized to inject at the following maximum surface tubing pressure:

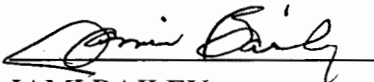
Lost Tank 3 Federal Well No. 25 API 30-015-38254 2230 psi

This approval is based on the provision that the tubing size, packer setting depth and completion interval for this well does not change. Any future requested pressure increase will require resubmission of additional data and a new step-rate test. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well. This approval is subject to your

being in compliance with all other Division rules, including but not limited to Division Rule 19.15.5.9 NMAC.

The Division Director may rescind this permitted injection pressure increase if it becomes apparent that the injected fluid is not being confined to the permitted disposal interval or is endangering any fresh water aquifer.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

JAMI BAILEY

Director

JB/prg

cc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad
File: SWD-1244

Lost Tank 3-25 (SWD-1244)

Mr. Phillip Goetze,

You are correct concerning the Lost Tank 3-25 requested pressure. The Formation Parting Pressure (FPP) does indeed appear to have occurred at a rate of around 5.4 bpm, thus resulting in a pressure of 2280 psi. Oxy would like to request an increase in injection pressure to 2230 psi.

