

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



June 1, 2012

Administrative Order IPI-415
Application No. pTGW1213145255

Basic Energy Services LP
Attention: David Alvarado
500 W. Illinois, Suite 100
Midland, TX 79702

RE: Injection Pressure Increase
State NO Well No. 1, Unit Letter E
Section 7, T19 South, R36 East
Lea County, New Mexico

Dear Mr. Alvarado:

Reference is made to your request on behalf of Basic Energy Services LP (OGRID 246368) received by the Division on May 10, 2012 to increase the surface injection pressure on the State NO Well No. 1.

This well was approved by the Division for injection into the Delaware formation from approximately 6,409 feet to 7,248 feet with SWD-864 and given a maximum surface injection pressure of 1282 psi.

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

Based on a step rate injection test for this well run by Cardinal Surveys on May 7, 2012 we feel it does support an increase to 2249 psi. Any future requested increase beyond 2249 psi will require resubmission of additional data and a new step-rate test.

You are hereby authorized to increase the surface injection pressure on the following well located in Lea County, New Mexico:

| Well Number | Perforations | Surface Injection Pressure |
|--|--------------|----------------------------|
| State NO Well No. 1 (API 30-025-28468) | 6409'-7248' | 2249 PSI |

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This approval is based on a provision that the tubing size, packer setting depth and perforation depths do not change. You are prohibited from injecting at pressures that would induce fracturing.

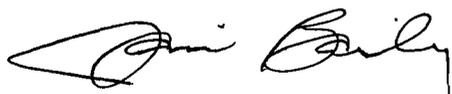
The operator is responsible for ensuring injected waters do not migrate upward inside or outside of this casing and enter formations above the permitted injection interval.

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 injection pressure increase if it becomes apparent that the injected fluid is not being confined to the injection zone or is endangering any fresh water aquifers.

The injection authority granted herein shall terminate two years after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and "B".

Jami Bailey
Director

JB/tw

cc: Oil Conservation Division – Hobbs