

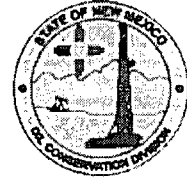
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



February 13, 2014

HOBBS OCD

Mr. Mark Plummer
Chestnut Exploration and Production, Inc.
2201 North Central Expressway, Suite 240
Richardson, TX 75080

FEB 18 2014

RECEIVED

RE: Packer Setting Depth Exception
Injection Authority: Administrative Order SWD-326
Pool: SWD; Seven Rivers formation
D & E Federal Well No. 1 API 30-025-02448
Unit N, Sec 22, T20S, R34E, NMPM, Lea County, New Mexico

Mr. Plummer:

Reference is made to your request on behalf of Chestnut Exploration and Production, Inc. (OGRID 262294; "Chestnut") received by the Division on January 13, 2014, for the above named well. Chestnut applied for exception for setting the packer within 100 feet of the top of the approved injection interval.

It is our understanding that during the completion of a mechanical integrity testing conducted in January on this well that the packer set was determined to be at a depth of 3308 feet. The packer was installed at this location in order to achieve proper seating of the packer set. This location of the packer is approximately 170 feet above the top of the perforated injection interval that begins at 3478 feet. Administrative Order SWD-326 approved July 20, 1987, authorized injection through perforations from 3478 feet to 3496 feet and through open hole from 3533 feet to 3690 feet.

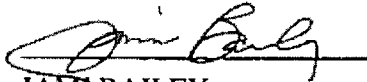
For the reasons stated in the application and because it appears that correlative rights are protected, waste will not occur and this modification will not endanger any fresh water aquifer or the environment, the exception is granted. The packer location within this well shall not be set higher than 170 feet unless the operator receives written approval from the Division Director.

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

Sincerely,



JAMI BAILEY
Director

JB/prg

cc: Oil Conservation Division – Hobbs Office
SWD-326
Well File API 30-025-02448
United States Bureau of Land Management – Carlsbad Office