

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



Administrative Order IPI-426
December 13, 2012

LRE Operating, LLC
C/o Mr. Mike Pippin, P.E.
3104 N. Sullivan Avenue
Farmington, NM 87401

RE: Injection Pressure Increase

Disposal Permit: SWD-1345 Pool: SWD; Abo Wolfcamp Cisco
Eddy Humble 4 State Well No. 1 API 30-015-40553
Unit J, Sec 4, T18S, R28E, NMPM, Eddy County, New Mexico

Dear Mr. Pippin:

Reference is made to your request on behalf of LRE Operating, LLC (OGRID 281994) received by the Division on December 5, 2012, to increase the maximum allowed surface tubing pressure on the above named well.

This well was permitted by the Division for water disposal into the Abo, Wolfcamp and Cisco formations by Division administrative permit SWD-1345 approved July 25, 2012. That permit allowed disposal from 6705 feet to 9000 feet with a maximum disposal tubing pressure of 1341 psi.

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.

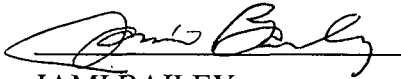
Based on a step rate test for this well run November 30, 2012, you are hereby authorized to inject at the following maximum surface tubing pressure:

Eddy Humble 4 State Well No. 1 API 30-015-40553 1918 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", written over a horizontal line.

JAMI BAILEY
Director

JB/wvjj

cc: Oil Conservation Division – Artesia
Files: SWD-1345 and 30-015-40553