

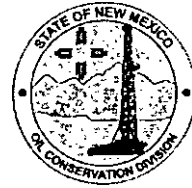
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order IPI-505

May 23, 2016

Administrative Application Reference No. pMAM1612760386

Ms. Denise Pinkerton
Chevron U.S.A. Inc.
15 Smith Road
Midland, TX 79705

RE: Injection Pressure Increase
Vacuum Grayburg San Andres Unit Tertiary Recovery Project
Vacuum Grayburg San Andres Pool (62180)

Dear Sir or Madame:

Reference is made to your request on behalf of Chevron U.S.A. Inc. (OGRID 4323) received on May 5, 2016, to increase the maximum allowed surface tubing pressure on the following well(s):

| Well No. | API Number | ULSTR | Order Allowing Injection | Existing Pressure Limit, Psi | Existing Tubing OD, In. |
|------------|--------------|-------------|--------------------------|------------------------------|-------------------------|
| VGSAU #439 | 30-025-38786 | B-1-18S-34E | R-4442-C (Case 14114) | 1500 | 2-3/8 |
| VGSAU #440 | 30-025-38787 | C-1-18S-34E | R-4442-C (Case 14114) | 1500 | 2-3/8 |

It is our understanding that the requested pressure increase is needed in order to increase the rate of injection and this pressure increase will not result in the fracturing of the formation and confining strata.

Based on the results of the submitted step rate injection test(s), the following shall be the new pressure limit(s) while equipped with **injection** tubing:

| Well No. | Step Rate Test Date | New Pressure Limit | While Injecting | Injection Interval, Feet | Pressure Gradient (in psi/ft) |
|------------|---------------------|--------------------|-----------------|--------------------------|-------------------------------|
| VGSAU #439 | 4/26/16 | 2050 | water | 4390 to 5002 | 0.47 |
| VGSAU #440 | 4/28/16 | 2000 | water | 4294 to 4860 | 0.47 |

This approval is based on the provision that the tubing size, packer setting depth and completion interval for the well(s) does not change. Any future requested pressure increase will require resubmission of additional data and/or 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 the well(s). 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 any injection permit 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 "David R. Catanach", is written over a horizontal line.

DAVID R. CATANACH

Director

DRC/wvjj

cc: Oil Conservation Division – Hobbs District Office
State Land Office - Oil, Gas, and Minerals Division
Well File, Case 14114