

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

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Jami Bailey
Division Director
Oil Conservation Division



Administrative Order IPI-411
April 20, 2012

SM Energy Company
3300 N. A Street, Bldg #7
Midland, Texas 79705

Attention: Ms. Ann Ritchie (Agent)

RE: Injection Pressure Increase Request
R-11254, and WFX-814
East Shugart-Delaware Pool (56413)
Eddy and Lea Counties, New Mexico

Reference is made to your request on behalf of SM Energy Company (OGRID 154903) received by the Division February 24, 2012, to increase the surface injection pressure limit on a unit-wide basis for all nine injection wells within its East Shugart Delaware Unit Waterflood Project located within the East Shugart-Delaware Pool (56413) located in portions of Sections 13 and 24, township 18 South, Range 31 East, NMPM, Eddy County, and portions of Sections 18 and 19, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico.

The unitized interval of this Unit is defined in Division Order No R-11254. The original Division Order R-11254 and WFX-814 permitted the injection wells in the East Shugart Delaware Unit ("ESDU") based on a maximum surface pressure limit of .2 psi per foot or 1003 psi.

It is our understanding the wells are in need additional surface injection pressure to balance injection and withdrawal rates in order to optimize waterflood operations.

The basis for granting these pressure increases are the six step rate tests run by SM Energy in 2011 and 2012.



SM Energy Company is hereby authorized to utilize the maximum surface injection pressures on the wells shown below, provided the tubing, size, type and perforation depths do not change. The packers shall be located within 100 feet of the top of the injection interval in the following-described wells for purposes of secondary recovery:

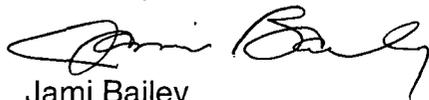
Well Name	Well #	API	Unit	Sec	Tsp	Rge	PSI
ESDU	20	30-015-31350-00-00	A	24	18S	31E	1114
ESDU	17	30-015-33841-00-00	A	24	18S	31E	1226
ESDU	19	30-015-33842-00-00	G	24	18S	31E	1114
ESDU	23	30-015-33843-00-00	H	24	18S	31E	1210
ESDU	25	30-015-34212-00-00	A	24	18S	31E	1300
ESDU	22	30-015-34292-00-00	G	24	18S	31E	1374
ESDU	21	30-025-37036-00-00	E	19	18S	32E	1114
ESDU	18	30-025-37368-00-00	D	19	18S	32E	1180
ESDU	24	30-025-37418-00-00	E	19	18S	32E	1114

This approval is subject to SM Energy 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, or is causing waste of oil and gas. SM Energy is prohibited from injecting at pressures that would induce fracturing in individual wells.

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

Sincerely,



Jami Bailey
Director

JB/tw

cc: Oil Conservation Division –Artesia & Hobbs
New Mexico State Land Office - Santa Fe