



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order IPI-344
June 17, 2009

Dugan Production Corp.
709 East Murray Dr.
Farmington, New Mexico 87499

Attention: Mr. John Alexander

RE: Injection Pressure Increase Request

Mesa SWD Well No. 4 (API No. 30-045-32086) SWD-918
Unit I, Sec 16, T 25 North, R 10 West, NMPM, San Juan County, New Mexico
Point Lookout member of the Mesaverde formation
Through perforations from 4288 feet to 4438 feet

Reference is made to your request on behalf of Dugan Production Corporation (OGRID 6515) received by the Division June 9, 2009, to increase the surface injection pressure limit on the above named disposal well.

Administrative Order No SWD-918 approved on March 17, 2004, permitted the Mesa SWD Well No. 4 for injection into the Point Lookout member of the Mesaverde formation from 4288 feet to 4438 feet and allowed a maximum surface injection pressure of 858 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 to enable increased water disposal.

The basis for granting this pressure increase is the step rate test run by Tefeller Inc. on this well in May, 2009. Tefeller Inc. measured the pressures during this test with surface and downhole pressure gauges.

You are hereby authorized to utilize up to **1429 psi** as the maximum surface injection pressure on this well provided the tubing, size, type, setting depth and perforation depths do not change. However, you are prohibited from injecting at pressures that would induce fracturing.

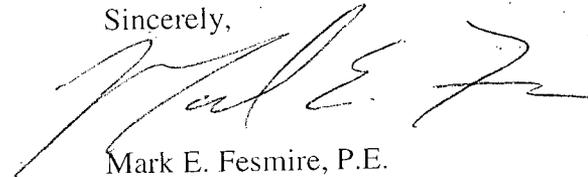
This approval is subject to your being in compliance with all other Division rules, including but not limited to Division Rule 5.9.



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 one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/tw

cc: Oil Conservation Division - Aztec
File: SWD-918