New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

Administrative Order IPI-363
February 26, 2010

OGX Resources, LLC
PO Box 953
Midland, TX 79702

Attention: Ms. Ann Ritchie (Agent)

RE: Injection Pressure Increase Request
Tesuque 2 State Well No. 1 (API No. 30-015-32799) SWD-1164
Unit C, Sec. 2, T26 South, R29 East, NMPM, Eddy County, New Mexico
Delaware formation
Through the perforated interval from 3,456 feet to 4,482 feet

Reference is made to your request on behalf of OGX Resources, LLC (OGRID 217955) to increase the surface injection pressure limit on the above named well.

This well was approved by the Division for injection into the Bell Canyon and Cherry Canyon members of the Delaware Mountain Group from 3,456 feet to 4,482 feet with SWD-1164 and given a maximum surface injection pressure of 691 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 optimize waterflood operations within this unit.

The basis for granting this pressure increase is the step-rate test run by Precision Pressure Data, Inc., on this well on January 12, 2009. The results of the step rate test show that an increase in the surface injection pressure for this well is justified and will not result in the fracturing of the injection formation and confining strata.

You are hereby authorized to utilize up to **885 psi** as the maximum surface injection pressure on this well provided the tubing, size, type, and setting depth does 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 fresh water aquifers are being endangered.

Sincerely,

Mark E. Fesmire, P.E.
Acting Division Director

MEF/tw

cc: Oil Conservation Division – Artesia
SWD-1164