



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



Administrative Order IPI-396
April 1, 2011

McElvain Oil & Gas Properties Inc.
1050 17th Street, Suite 2500
Denver, CO. 80265-2080

Attention: Art Merrick

RE: Injection Pressure Increase
Big Gulp SWD Well No. 1
Unit L Section 20 T30N R13W
San Juan County, New Mexico

Dear Mr. Merrick:

Reference is made to your request on behalf of McElvain Oil & Gas Properties Inc. (OGRID 22044) received by the Division on March 10, 2011 to increase the surface injection pressure on the Big Gulp SWD Well No. 1 (API 30-045-35043) within the Point Lookout member of the Mesaverde formation. This request is based upon a step rate test recently conducted on these wells. The results of the step rate test indicate 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.

It is our understanding that the Big Gulp SWD Well No. 1 will not take a sufficient volume of water at the present pressure limits and a higher pressure limits are needed for waterflood operations.

Based on a step rate injection tests that were conducted in October, 2010 you are hereby authorized to increase the surface injection pressure on the Big Gulp SWD Well No. 1 located in Unit L of Section 20, Township 30 North, Range 13 West, NMPM, San Juan County, New Mexico.



McElvain Oil & Gas Properties Inc. is hereby authorized to utilize the maximum surface injection pressures on the well of 1,070 psi, provided the tubing size, packer setting depth and perforation depths do not change. However, you are prohibited from injecting at pressures that would induce fracturing.

The operator is responsible for ensuring injected waters do not migrate upward inside or outside of this casing and enter formations above the permitted injection interval.

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.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Daniel Sanchez", with a long horizontal flourish extending to the right.

J. Daniel Sanchez
Acting Director

JDS/tw

cc: Oil Conservation Division – Aztec
File: 30-045-35043