

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order IPI-339
April 29, 2009

Dugan Production Corp.
P.O. Box 420
Farmington, New Mexico 87499-0420

RCVD MAY 4 '09
OIL CONS. DIV.
DIST. 3

Attention: Mr. John Alexander

RE: Injection Pressure Increase Request

Neoprene SWD Well No. 1 (API No. 30-045-22295) SWD-1098
Section 17, Township 25 North, Range 10 West, NMPM, San Juan County, New Mexico
Point Lookout member of the Mesaverde formation
Through perforations from 3594 feet to 4159 feet

Reference is made to your request on behalf of Dugan Production Corporation (OGRID 6515) received by the Division April 10, 2009, to increase the surface injection pressure limit on the above named disposal well.

Administrative Order No SWD-1098 approved on September 26, 2007, permitted the Neoprene SWD Well No. 1 for injection into the Point Lookout member of the Mesaverde formation from 3590 feet to 4270 feet and allowed a maximum surface injection pressure of 718 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 Tefteller Inc. on this well in April 2, 2009. Tefteller measured the surface and downhole pressures during this test with electronic pressure gauge.

You are hereby authorized to utilize up to **897 psi** as the maximum surface injection pressure on this well provided the tubing, size, type, setting depth and perforation depths do not change.

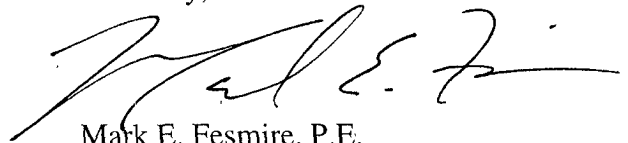
This approval is subject to your being in compliance with all other Division rules, including but not limited to Division Rule 5.9.



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,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/tw

cc: Oil Conservation Division - Aztec
File: SWD-1098