



New Mexico Energy, Minerals and Natural Resources Department

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Division Director
Oil Conservation Division



August 19, 2011

Administrative Order IPI-405
Application No. pTGW1121056194

Read & Stevens, Inc.
400 Penn Plaza, Suite 1000
Roswell, NM 88201

Attention: William Palmer

RE: Injection Pressure Increase
Allied State Well No. 1, Unit Letter I
Section 10, T23 South, R26 East
Eddy County, New Mexico

Dear Mr. Palmer:

Reference is made to your request on behalf of Read & Stevens, Inc. (OGRID 18917) received by the Division on August 1, 2011 to increase the surface injection pressure on the Allied State Well No. 1. Your request is based upon a makeshift step rate recently conducted on this well. The results of the ambiguous test cannot be accepted. Any future pressure increase will have to be justified by a valid Step Rate Test according to Division Rule 19.15.26.11 NMAC.

However, it is our understanding that this well will not take a sufficient volume of water at the present pressure limit and a higher pressure limit is needed for a successful salt water disposal operation. It is also understood that an increase will not result in the fracturing of the injection formation and confining strata.

The submitted present perforated injection interval of 3300'-3550' based on a 0.2 gradient supports an increase to 660 psi. Any requested increase beyond 660 psi for this injection interval will require resubmission of additional data and a valid Step Rate Test.

You are hereby authorized to increase the surface injection pressure on the following



Well Number	Delaware Perforations	Surface Injection Pressure
Allied State Well No. 1 API No. 30-015-20950, Unit I, Section 10, Township 23 South, Range 26 East	3300'-3550'	660 PSI

This approval is based on a provision that the tubing size, packer setting depth and perforation depths do not change. 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 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.

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

Sincerely,



Jami Bailey
Director

JB/tw

cc: Oil Conservation Division – Artesia