

4/25/08 DATE IN	SUSPENSE	W. JONES ENGINEER	4/28/08 LOGGED IN	IPI TYPE	PKVRO811942972 APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☒ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

William M. Kincaid

Print or Type Name

William M. Kincaid

Signature

Petroleum Engineer

Title

4/22/08

Date

Stephens & Johnson Operating Co.

mkincaid@sjoc.net

e-mail Address

299

RECEIVED
 2008 APR 25 PM 4 14

Telephone (940) 723-2166

STEPHENS & JOHNSON OPERATING CO.

FAX (940) 723-8113

811 Sixth Street, Suite 300

Post Office Box 2249

WICHITA FALLS, TEXAS
76307-2249

April 22, 2008

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Attn: Mr. Mark Fesmire, Director

Re: Injection Pressure Increase
East Millman Pool Unit
Eddy County, New Mexico

Dear Mr. Fesmire:

Stephens & Johnson Operating Co. is requesting an increase in the surface injection pressure for the following four wells located on our East Millman Pool Unit in Eddy County, New Mexico as follows:

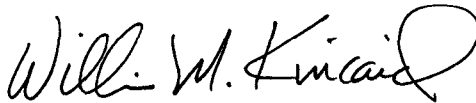
<u>Well</u>	<u>API Number</u>	<u>Current Maximum Surface Pressure (psia)</u>	<u>Formation Parting Pressure at Surface (psia)</u>	<u>Proposed Maximum Surface Pressure (psia)</u>
Tract 7 Well No. 2	30-015-02235	347	733	683
Tract 7 Well No. 4	30-015-02231	347	574	524
Tract 4 Well No. 4	30-015-02239	357	621	571
Tract 4 Well No. 6	30-015-10105	423	691	641

This request is based on step rate tests conducted April 14-17, 2008 by Cardinal Surveys Company. The results from the step rate tests are attached to this letter for your review.

Should you have any questions or require any additional information concerning this request, please do not hesitate to contact us.

Yours very truly,

STEPHENS & JOHNSON OPERATING CO.

A handwritten signature in cursive script, reading "William M. Kincaid". The signature is fluid and stylized, with a large loop at the end of the last name.

William M. Kincaid

WMK/np
Attachments

Step Rate Test



Cardinal Surveys Company

14-Apr-08

Stephens & Johnson Operating Company

Well: E. Millman No. 7-2

Field: East Millman

County: Eddy Co. - New Mexico

SC 57203

02035

Downhole PSI Tool S CSC 2601

Surface PSI Gauge S: 10509

Tool @ 1.950'

Intercept @1609.8 BHP-PSIA
and 727.4 BPD

	Start	End	Rate
1	8:58 AM	9:30 AM	0 At 1,950'
2	9:30 AM	10:00 AM	100
3	10:00 AM	10:30 AM	200
4	10:30 AM	11:00 AM	300
5	11:00 AM	11:30 AM	400
6	11:30 AM	12:00 PM	500
7	12:00 PM	12:30 PM	600
8	12:30 PM	1:00 PM	700
9	1:00 PM	1:30 PM	800
10	1:30 PM	2:00 PM	900
11	2:00 PM	2:30 PM	1000
12	2:30 PM	2:45 PM	0 15 Min. Fall Off
13			
14			
15			
16			
17			
18			

Step Rate Test
14-Apr-08



Stephens & Johnson Operating Company
Well: E. Millman No. 7-2
Field: East Millman
Location: Eddy, Co.-New Mexico

	S Time	E Time	D Time	Last Rate	Step	BHP	Surf	Cum	Delta	Avg.	Lower	Upper
			Min	BPD	BPD	PSIA	PSIA	BBL	BBL	BPD	Trend	Trend
1	8:58 AM	9:30 AM	32	0	0	1428.7	505.5	0	0	0		
2	9:30 AM	10:00 AM	30	100	100	1456.3	540.9	3.3	2.1	101		
3	10:00 AM	10:30 AM	30	200	100	1476.5	564.2	7.2	4	192		
4	10:30 AM	11:00 AM	30	300	100	1499.4	539.9	13.4	6	288		
5	11:00 AM	11:30 AM	30	400	100	1528.8	614.8	21.6	8.3	398	1528.8	
6	11:30 AM	12:00 PM	30	500	100	1554.6	628.8	32.2	10.6	509	1554.6	
7	12:00 PM	12:30 PM	30	600	100	1579.4	659.7	44.2	12.5	600	1579.4	
8	12:30 PM	1:00 PM	30	700	100	1591	701.2	58.6	13.6	653	1591	1616.8
9	1:00 PM	1:30 PM	30	800	100	1616.8	738.8	74.8	16.7	802		1628.9
10	1:30 PM	2:00 PM	30	900	100	1628.9	721.4	93.3	18	864		1643.3
11	2:00 PM	2:30 PM	30	1000	100	1643.3	774.5	113.8	21.1	1013		
12	2:30 PM	2:45 PM	15	0	0	1614	692	136.9		0		

Lower 0.2476 1429.7
Upper 0.1203 1522.3

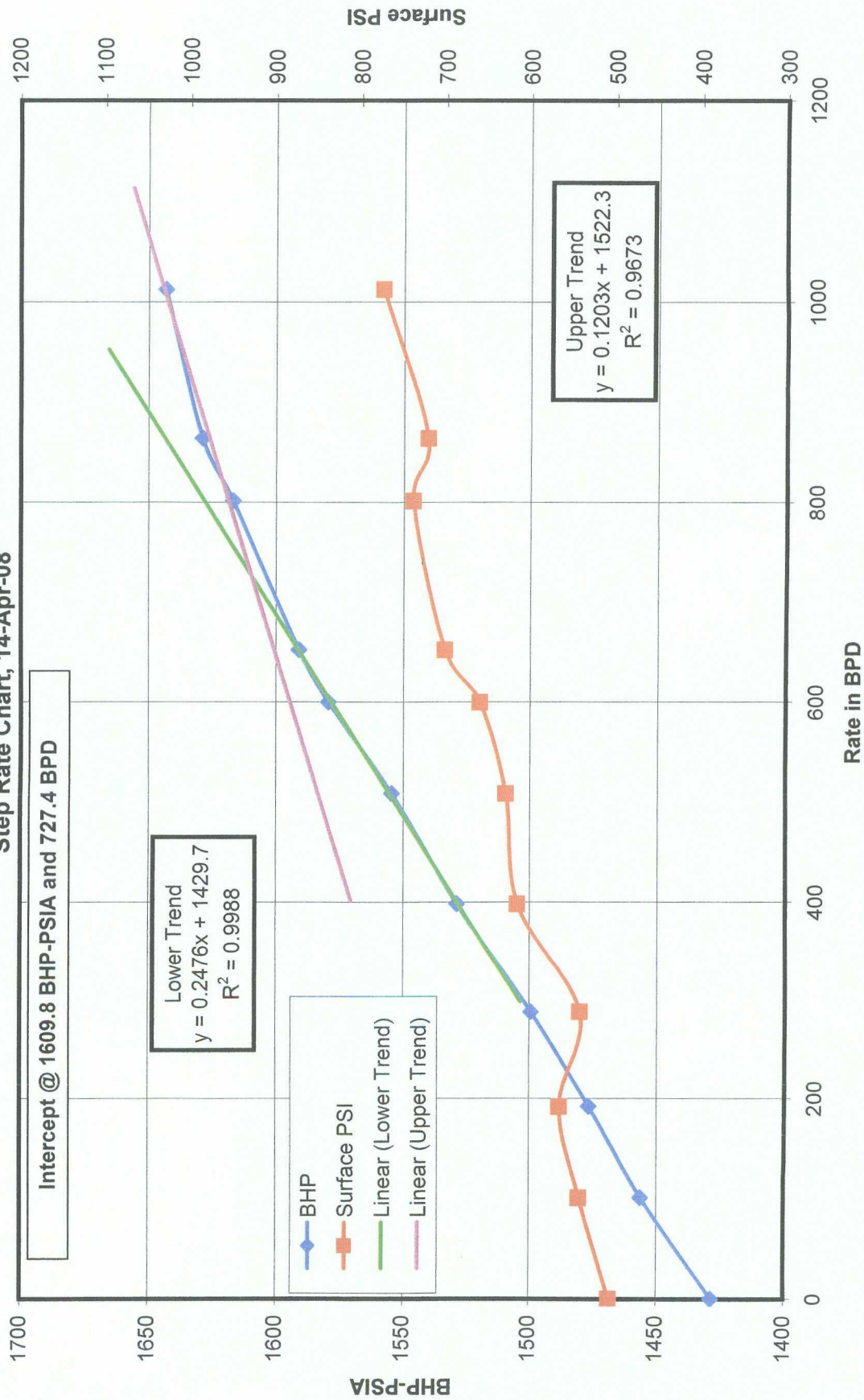
int point: 727.4156 BPD
1609.808 Psia



Stephens & Johnson Operating Company

E. Millman No. 7-2

Step Rate Chart, 14-Apr-08



Step Rate Test



Cardinal Surveys Company

15-Apr-08

Stephens & Johnson Operating Company

Well: E. Millman No. 7-4

Field: East Millman

County: Eddy Co. - New Mexico

0 2231

SC 57204

Downhole PSI Tool Ser. N CSC 2601
Surface PSI Gauge Ser. No. 10509
Tool @ 2,050

Intercept @1520.4 BHP-PSIA
and 692.3 BPD

	Start	End	Rate
1	8:48 AM	9:00 AM	0 At 2,050
2	9:00 AM	9:30 AM	100
3	9:30 AM	10:00 AM	200
4	10:00 AM	10:30 AM	300
5	10:30 AM	11:00 AM	400
6	11:00 AM	11:30 AM	500
7	11:30 AM	12:00 PM	600
8	12:00 PM	12:30 PM	700
9	12:30 PM	1:00 PM	800
10	1:00 PM	1:30 PM	900
11	1:30 PM	1:45 PM	0 15 Min. Fall Off
12			
13			
14			
15			
16			
17			
18			

Step Rate Test
15-Apr-08

Stephens & Johnson Operating Company
Well: E. Millman No. 7-4
Field: East Millman
Location: Eddy, Co.-New Mexico



	S Time	E Time	D Time	Last Rate	Step	BHP	Surf	Cum	Delta	Avg.	Lower	Upper
			Min	BPD	BPD	PSIA	PSIA	BBL	BBL	BPD	Trend	Trend
1	8:48 AM	9:00 AM	12	0	0	1395.6	385.1	0	0	0		
2	9:00 AM	9:30 AM	30	100	100	1419.5	429.6	2.3	2.3	110		
3	9:30 AM	10:00 AM	30	200	100	1435.7	478.8	6.5	4.2	202		
4	10:00 AM	10:30 AM	30	300	100	1454.1	488	12.6	6.1	293	1454.1	
5	10:30 AM	11:00 AM	30	400	100	1471.1	465.4	20.8	8.2	394	1471.1	
6	11:00 AM	11:30 AM	30	500	100	1484.4	530.1	30.7	9.9	475	1484.4	
7	11:30 AM	12:00 PM	30	600	100	1508.3	531.1	43.6	12.9	619	1508.3	
8	12:00 PM	12:30 PM	30	700	100	1520.1	573.8	57.9	14.3	686		1520.1
9	12:30 PM	1:00 PM	30	800	100	1531	613.1	74.7	16.8	806		1531
10	1:00 PM	1:30 PM	30	900	100	1539	588.8	93.1	18.4	883		1539
11	1:30 PM	1:45 PM	15	0	0	1505.3	529.7	0	0	0		

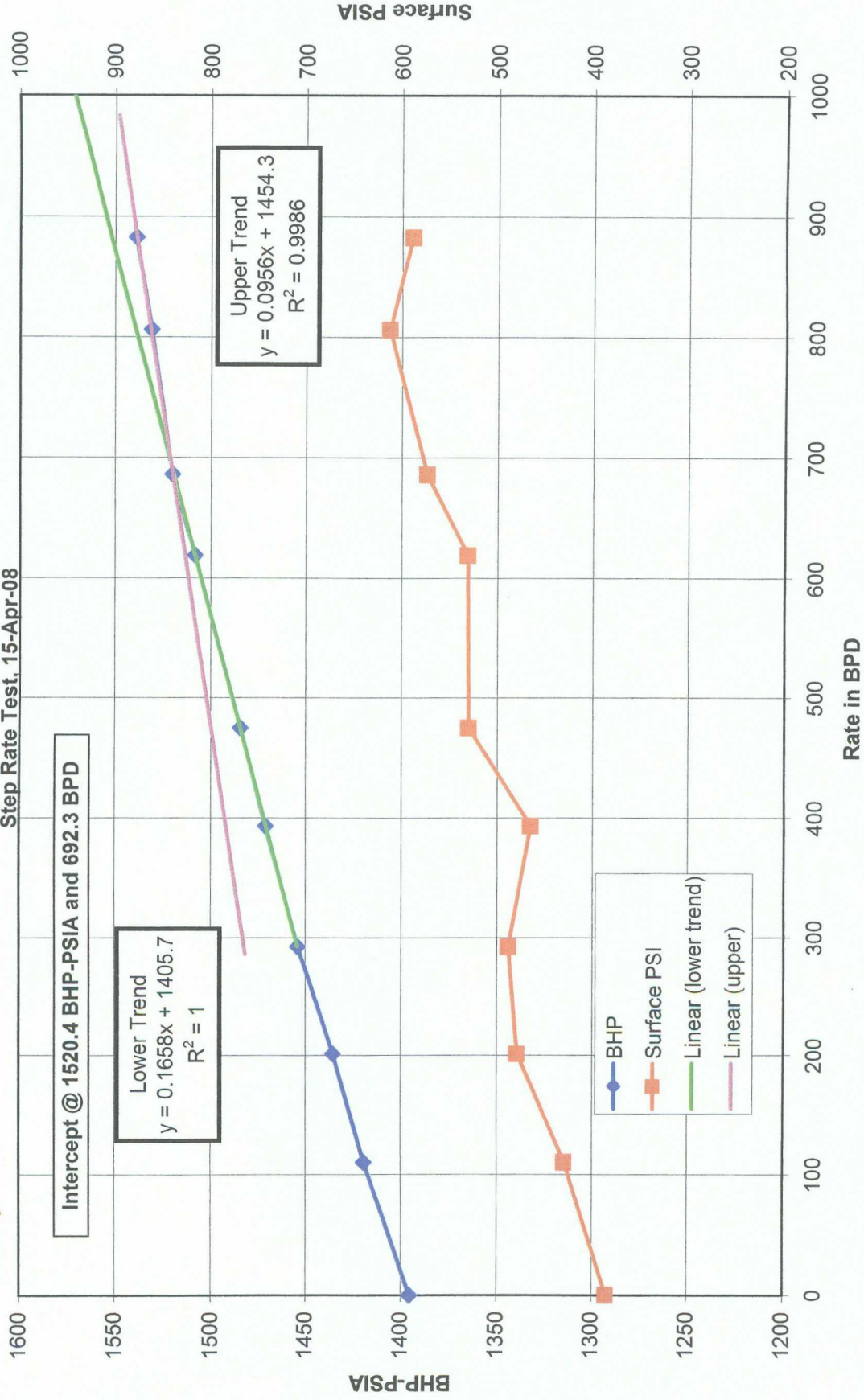
Lower 0.1658 1405.7
Upper 0.0956 1454.3

int point: 692.3077 BPD
1520.485 Psia



Stephens & Johnson
E. Millman No. 7-4

Step Rate Test, 15-Apr-08



Step Rate Test



Cardinal Surveys Company

16-Apr-08

Stephens & Johnson Operating Company

Well: E. Millman No. 4-4

Field: East Millman

County: Eddy Co. - New Mexico

02239

SC 57205

Downhole PSI Tool S CSC 2601
Surface PSI Gauge S 10509
Tool @ 1.950'

Intercept @1451.6 BHP-PSIA and
1702.6 BPD

	Start	End	Rate
1	8:44 AM	9:00 AM	0 At 1,950'
2	9:00 AM	9:30 AM	100
3	9:30 AM	10:00 AM	200
4	10:00 AM	10:30 AM	300
5	10:30 AM	11:00 AM	400
6	11:00 AM	11:30 AM	500
7	11:30 AM	12:00 PM	600
8	12:00 PM	12:30 PM	700
9	12:30 PM	1:00 PM	800
10	1:00 PM	1:30 PM	900
11	1:30 PM	2:00 PM	1000
12	2:00 PM	2:30 PM	1100
13	2:30 PM	3:00 PM	1200
14	3:00 PM	3:30 PM	1300
15	3:30 PM	4:00 PM	1700
16	4:00 PM	4:30 PM	2100
17	4:30 PM	5:00 PM	2500
18	5:00 PM	5:15 PM	Fall Off

Step Rate Test
16-Apr-08

Stephens & Johnson Operating Company

Well: E. Millman No. 4-4

Field: East Millman

Location: Eddy, Co.-New Mexico



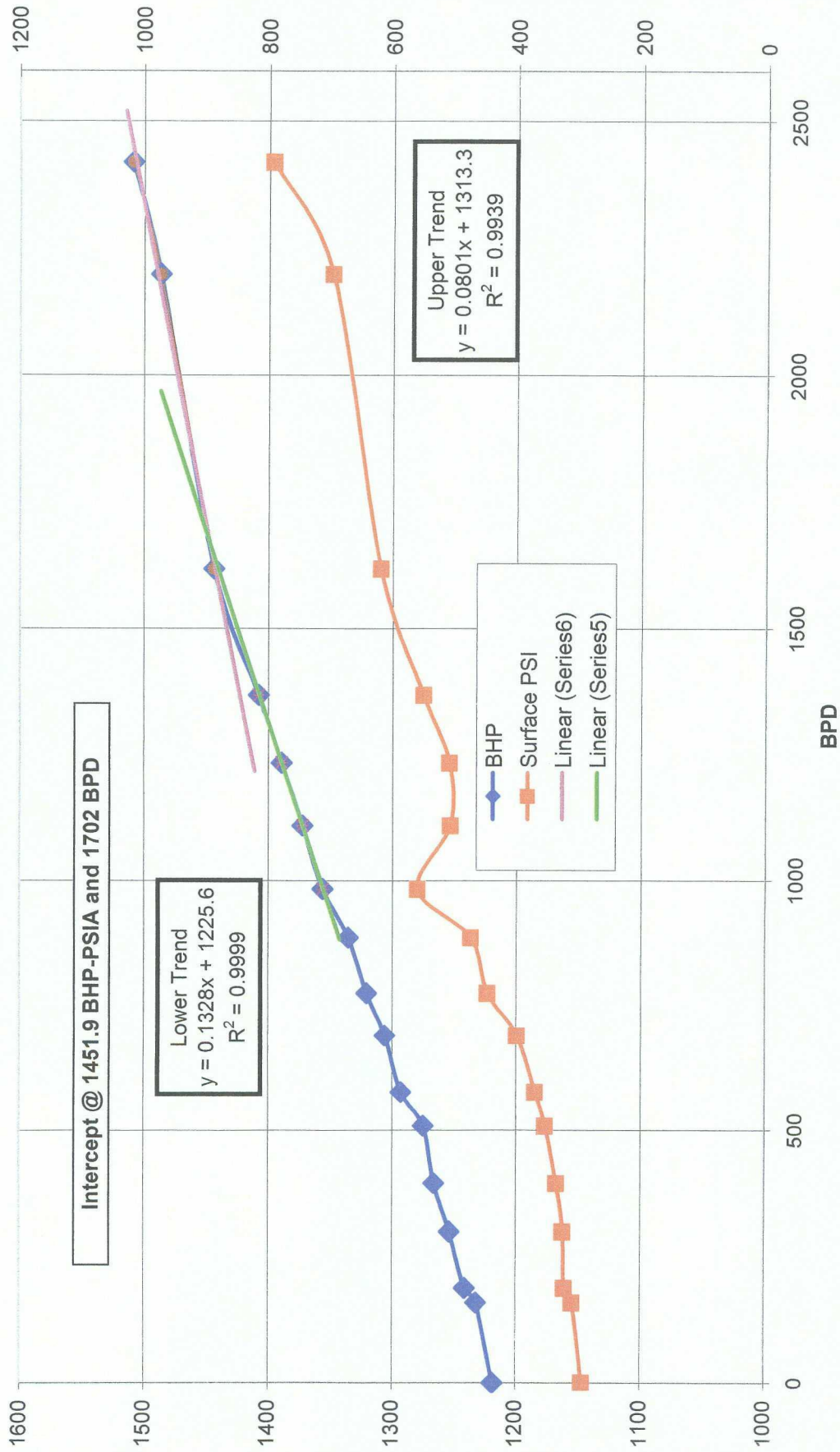
S Time	E Time	D Time	Last Rate	Step	BHP	Surf	Cum	Delta	Avg.	Lower	Upper
		Min	BPD	BPD	PSIA	PSIA	BBL	BBL	BPD	Trend	Trend
1 8:44 AM	9:00 AM	16	0	0	1218.6	293.2	0	0	0		
2 9:00 AM	9:30 AM	30	100	100	1232	309.2	3.3	3.3	158		
3 9:30 AM	10:00 AM	30	200	100	1241	321.5	7.2	3.9	187		
4 10:00 AM	10:30 AM	30	300	100	1253.4	324	13.4	6.2	298		
5 10:30 AM	11:00 AM	30	400	100	1266	334.8	21.6	8.2	394		
6 11:00 AM	11:30 AM	30	500	100	1274.7	353	32.2	10.6	509		
7 11:30 AM	12:00 PM	30	600	100	1293	369	44.2	12	576		
8 12:00 PM	12:30 PM	30	700	100	1306.1	398.3	58.6	14.4	691		
9 12:30 PM	1:00 PM	30	800	100	1321	446	74.8	16.2	778		
10 1:00 PM	1:30 PM	30	900	100	1335.9	473	93.3	18.5	888		
11 1:30 PM	2:00 PM	30	1000	100	1356.5	559.3	113.8	20.5	984	1356.5	
12 2:00 PM	2:30 PM	30	1100	100	1372.7	506.1	136.9	23.1	1109	1372.7	
13 2:30 PM	3:00 PM	30	1200	100	1389.2	507.9	162.6	25.7	1234	1389.2	
14 3:00 PM	3:30 PM	30	1300	100	1407.5	549.4	191.1	28.5	1368	1407.5	
15 3:30 PM	4:00 PM	30	1700	400	1443.6	619.4	224.8	33.7	1618		1443.6
16 4:00 PM	4:30 PM	30	2100	400	1486.4	698.1	270.6	45.8	2198		1486.4
17 4:30 PM	5:00 PM	30	2500	400	1509.1	792.9	321	50.4	2419		1509.1
16 5:00 PM	5:15 PM	15	0	0	1424.6	495.3	0				

Lower 0.1328 1225.6
Upper 0.0801 1315.3

int point: 1702.087 BPD
1451.637 Psia



Stephens & Johnson Operating Company
E. Millman No. 4-4
Step Rate Test, 16-Apr-08



Step Rate Test



Cardinal Surveys Company

17-Apr-08

Stephens & Johnson Operating Company

10105

Well: E. Millman No. 4-6

Field: East Millman

County: Eddy Co. - New Mexico

SC 57205

Downhole PSI Tool S CSC 2601
Surface PSI Gauge S 10509
Tool @ 2,150

Intercept @1666.1 BHP-PSIA and
914.3 BPD

	Start	End	Rate
1	8:29 AM	9:00 AM	0 At 2,150
2	9:00 AM	9:30 AM	100
3	9:30 AM	10:00 AM	200
4	10:00 AM	10:30 AM	300
5	10:30 AM	11:00 AM	400
6	11:00 AM	11:30 AM	500
7	11:30 AM	12:00 PM	600
8	12:00 PM	12:30 PM	700
9	12:30 PM	1:00 PM	800
10	1:00 PM	1:30 PM	1000
11	1:30 PM	2:00 PM	1200
12	2:00 PM	2:30 PM	1400
13	2:30 PM	2:45 PM	15 Min. Fall-Off
14			
15			
16			
17			
18			

Step Rate Test
17-Apr-08

Stephens & Johnson Operating Company
Well: E. Millman No. 4-6
Field: East Millman
Location: Eddy, Co.-New Mexico



	S Time	E Time	D Time	Last Rate	Step	BHP	Surf	Cum	Delta	Avg.	Lower	Upper
			Min	BPD	BPD	PSIA	PSIA	BBL	BBL	BPD	Trend	Trend
1	8:29 AM	9:00 AM	31	0	0	1384.6	362	0	0	0		
2	9:00 AM	9:30 AM	30	100	100	1413.8	392.3	3	3	144		
3	9:30 AM	10:00 AM	30	200	100	1438.6	423.9	7.5	4.5	216		
4	10:00 AM	10:30 AM	30	300	100	1466.2	427.9	13.9	6.4	307		
5	10:30 AM	11:00 AM	30	400	100	1498.5	462.8	22.6	8.7	418		
6	11:00 AM	11:30 AM	30	500	100	1531	520.2	33	10.4	499	1531	
7	11:30 AM	12:00 PM	30	600	100	1564.1	560.9	45.6	12.6	605	1564.1	
8	12:00 PM	12:30 PM	30	700	100	1589.3	600.1	60.2	14.6	701	1589.3	
9	12:30 PM	1:00 PM	30	800	100	1630.1	625.4	76.7	16.5	792	1630.1	
10	1:00 PM	1:30 PM	30	1000	200	1674.6	701.4	97.7	21	1008		1674.6
11	1:30 PM	2:00 PM	30	1200	200	1713.3	748.4	122.4	24.7	1186		1713.3
12	2:00 PM	2:30 PM	30	1400	200	1754.8	794.5	154.5	32.1	1541		1754.8
13	2:30 PM	2:45 PM	15	0	0	1691.4	668.2	0	0	0		

Lower 0.3301 1364.3
Upper 0.1457 1532.9

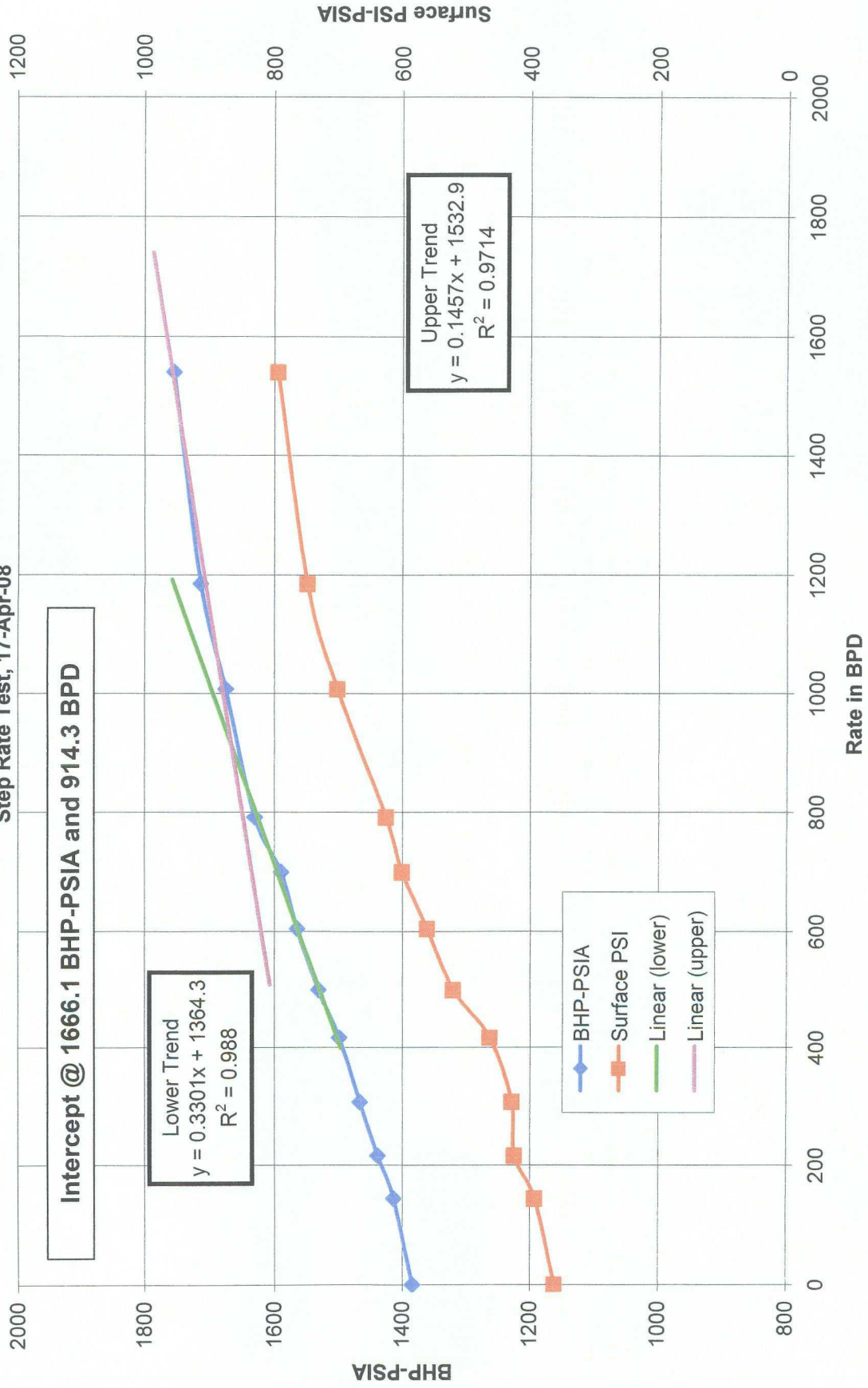
int point: 914.3167 BPD
1666.116 Psia



Stephens & Johnson Operating Company

E. Millman No. 4-6

Step Rate Test, 17-Apr-08





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

05-Sep-07

STEPHENS & JOHNSON OP CO

PO BOX 2249

WICHITA FALLS TX 76307-

LOV NO. 0218507

LETTER OF VIOLATION and SHUT-IN DIRECTIVE Failed Mechanical Integrity Test

Dear Operator:

The following test(s) were performed on the listed dates on the following well(s) shown below in the test detail section.

The test(s) indicates that the well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. To comply with guidelines established by the U.S. Environmental Protection Agency, the well(s) must be shut-in immediately until it is successfully repaired. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by an inspector employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that the well(s) will be retested so the test may be witnessed by a field representative.

MECHANICAL INTEGRITY TEST DETAIL SECTION

EAST MILLMAN POOL UNIT No.004

30-015-02231-00-00

L-13-19S-28E

Active Injection - (All Types)

Test Date:	9/5/2007	Permitted Injection PSI:	Actual PSI:	650
Test Reason:	Annual IMIT	Test Result:	Repair Due:	12/9/2007
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation	FAIL CAUSE:	
Comments on MIT:	<u>Well over injection limit.</u> Please submit step-rate test to Santa Fe to have injection limit raised.			

EAST MILLMAN POOL UNIT No.002

30-015-02235-00-00

E-13-19S-28E

Active Injection - (All Types)

Test Date:	9/5/2007	Permitted Injection PSI:	Actual PSI:	650
Test Reason:	Annual IMIT	Test Result:	Repair Due:	12/9/2007
Test Type:	Bradenhead Test	FAIL TYPE: Permit Violation	FAIL CAUSE:	
Comments on MIT:	<u>Well over injection limit.</u> Please submit step-rate test to Santa Fe to have injection limit raised.			

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, or if the well(s) are not immediately shut-in, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

Richard Ingo

Artesia OCD District Office

Note Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. * Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

811 Sixth Street, Suite 300

Post Office Box 2249

WICHITA FALLS, TEXAS
76307-2249

April 22, 2008

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Attn: Mr. Mark Fesmire, Director

Case #
WFX-824
11-2-06Re: Injection Pressure Increase
East Millman Pool Unit
Eddy County, New Mexico

Dear Mr. Fesmire:

Stephens & Johnson Operating Co. is requesting an increase in the surface injection pressure for the following four wells located on our East Millman Pool Unit in Eddy County, New Mexico as follows:

Top Perf depth	Well	API Number	Current Maximum Surface Pressure (psia)	Formation Parting Pressure at Surface (psia)	Proposed Maximum Surface Pressure (psia)
1733'	Tract 7 Well No. 2	30-015-02235	347 ✓	733	683 .39
1734'	Tract 7 Well No. 4	30-015-02231	347 ✓	574	524 .30
1784'	Tract 4 Well No. 4	30-015-02239	357 ✓	621	571 .32
2115'	Tract 4 Well No. 6	30-015-10105	423 ✓	691	641 .30

This request is based on step rate tests conducted April 14-17, 2008 by Cardinal Surveys Company. The results from the step rate tests are attached to this letter for your review.

1. Top perms in each well ✓
2. Formation Perm