



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 21, 2006

Division Order No. IPI-266

Ameristate Exploration, LLC
111 Congress Avenue
Suite 2700
Austin, Texas 78701-4067

Attention: Mr. Michael Arguijo

**RE: *Injection Pressure Increase
East Millman Unit Waterflood Project
Eddy County, New Mexico***

Dear Mr. Arguijo:

Reference is made to your request received by the Division on March 14, 2006, to increase the surface injection pressure on three wells within the East Millman Unit Waterflood Project. This request is based on step rate test data and fracture treatment data from the subject wells. The results of this data shows that an increase in the surface injection pressure for these wells is justified and will not result in the fracturing of the injection formation and confining strata.

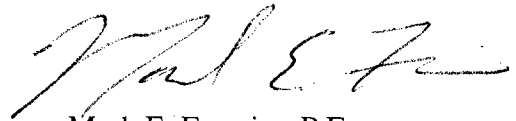
You are therefore authorized to increase the surface injection pressure on the following wells located in Township 19 South, Range 28 East, NMPM:

WELL NAME & NUMBER	MAXIMUM SURFACE INJECTION PRESSURE
East Millman Unit Well No. 158 API No. 30-015-02289, Unit G, Section 22	892 PSIG
East Millman Unit Well No. 208 API No. 30-015-27467, Unit H, Section 22	799 PSIG
East Millman Unit Well No. 212 API No. 30-015-27469, Unit P, Section 15	912 PSIG

Injection Pressure Increase
Ameristate Exploration, LLC
March 21, 2006
Page 2

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 dark ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Division Director

cc: Oil Conservation Division - Artesia
File: WFX-781, WFX-782