

ABOVE THIS LINE FOR DIVISION USE ONLY

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



27

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.

Print or Type Name _____ Signature _____ Title _____ Date _____

_____ e-mail Address _____

Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.	30-025-22397
5. Indicate Type of Lease	STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.	E-881
7. Lease Name or Unit Agreement Name	Aztec State
8. Well Number	7
9. OGRID Number	227001
10. Pool name or Wildcat	Maljamar Grayburg San Andres

2006 JUL 24 PM 2 19

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)
1. Type of Well: Oil Well Gas Well Other/WIW

2. Name of Operator
Latigo Petroleum, Inc.

3. Address of Operator 550 W. Texas, Suite 700
Midland, TX 79701

4. Well Location
Unit Letter G : 2140 feet from the N line and 1980 feet from the E line
Section 8 Township 17S Range 33E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

Pit or Below-grade Tank Application or Closure
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK PLUG AND ABANDON
TEMPORARILY ABANDON CHANGE PLANS
PULL OR ALTER CASING MULTIPLE COMPL

SUBSEQUENT REPORT OF:

REMEDIAL WORK ALTERING CASING
COMMENCE DRILLING OPNS. P AND A
CASING/CEMENT JOB

OTHER: Increase injection pressure OTHER:

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Administrative Order WFX676 11-6-95 dated 11/6/1995.

Latigo Petroleum respectfully request authorization to increase injection pressure to 2200 psi. Attached is a valid step-rate test dated 6/29/06 for your review.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE Lisa Hunt TITLE Regulatory Analyst DATE 07/18/2006

Type or print name Lisa Hunt E-mail address: lhunt@latigopetro.com Telephone No. (432)684-4293
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):



OPERATIONS LOG

COMPANY: LATIGO OPERATING
LEASE: AZTEC STATE #7
FIELD (FORMATION): ()
COUNTY: EDDY
STATE: NM

TEST TYPE: STEP-RATE

ENGINEER: JOE CLEMENT
FIELD REP: JOE WILLIS
JOB RUN BY: LARRY HAWKS
DATA PREPARED BY: CAMERON NEWTON
INSTRUMENT: PPS-1306

DATE	TIME	DWG	OPERATIONS LOG - JOB NUMBER: 71060
6/29/06	09:00:00 AM		ARRIVED ON LOCATION / RUN IN HOLE WITH 1 1/4 TOOL STRING TO CHECK TUBING AND CHECK FOR FILL / TAGGED UP IN MIDDLE OF PERFERATIONS. MPP @ 4330'
6/29/06	10:09:00 AM		STARTED GAUGES PPS-1251 FOR TEST
6/29/06	10:15:00 AM		OPEN WELL TO LUBRICATOR
6/29/06	10:29:33 AM		ON BOTTOM AT 4320'
6/29/06	10:44:03 AM		BEGAN STEP RATE TEST AT 200BDP/ 30 MIN RATE WITH 100 BDP INCREMENTS
6/29/06	11:00:00 AM		1ST RATE
6/29/06	11:16:18 AM		END OF 1ST RATE @ 200 BPD / BEGIN 2ND RATE
6/29/06	11:30:00 AM		2ND RATE
6/29/06	11:46:03 AM		END OF 2ND RATE @ 300 BPD / BEGIN 3RD RATE
6/29/06	12:00:00 PM		3RD RATE
6/29/06	12:14:48 PM		END OF 3RD RATE @ 400 BPD / BEGIN 4TH RATE
6/29/06	12:30:00 PM		4TH RATE
6/29/06	12:44:33 PM		END OF 4TH RATE @ 500 BPD / BEGIN 5TH RATE
6/29/06	01:00:00 PM		5TH RATE
6/29/06	01:13:03 PM		END OF 5TH RATE @ 600 BPD / END OF TEST



COMPANY: LATIGO OPERATING
 LEASE: AZTEC # STATE #7
 FIELD (FORMATION): ()
 COUNTY: EDDY
 STATE: NM

TEST DATES: 6/29/2006 - 6/29/2006
 RUN DEPTH:
 INSTRUMENT: PPS-1306

REAL TIME	DELTA TIME, HOURS	BOTTOMHOLE PRESSURE, PSIA	WELLHEAD PRESSURE, PSIG	INJECTION RATE, BPD	JOB NUMBER: 71060
06/29/06 10:44:03 AM	0.5842	3136.24	1650.00	0.00	
06/29/06 11:16:18 AM	1.1217	3747.06	1900.00	200.00	
06/29/06 11:46:03 AM	1.6175	4051.38	2200.00	300.00	
06/29/06 12:14:48 PM	2.0967	4250.03	2400.00	400.00	
06/29/06 12:44:33 PM	2.5925	4421.40	2600.00	500.00	
06/29/06 01:13:03 PM	3.0675	4615.10	2800.00	600.00	



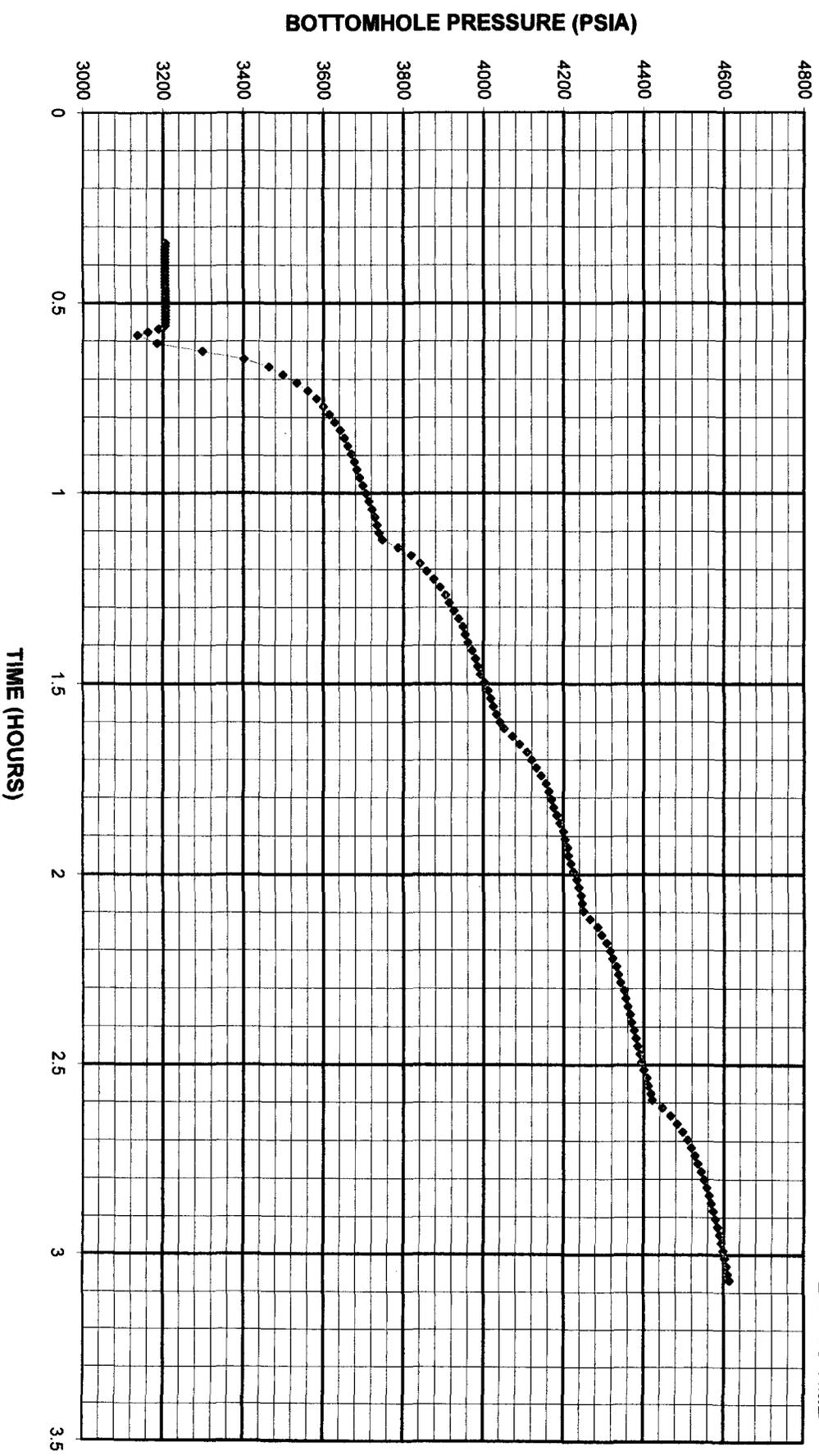
COMPANY:
LEASE:
WELL NUMBER:

LATIGO OPERATING
AZTEC
STATE #7

FIELD:
COUNTY:
STATE:

EDDY
NM

JOB #
TEST DATE:
6/29/2006 - 6/29/2006



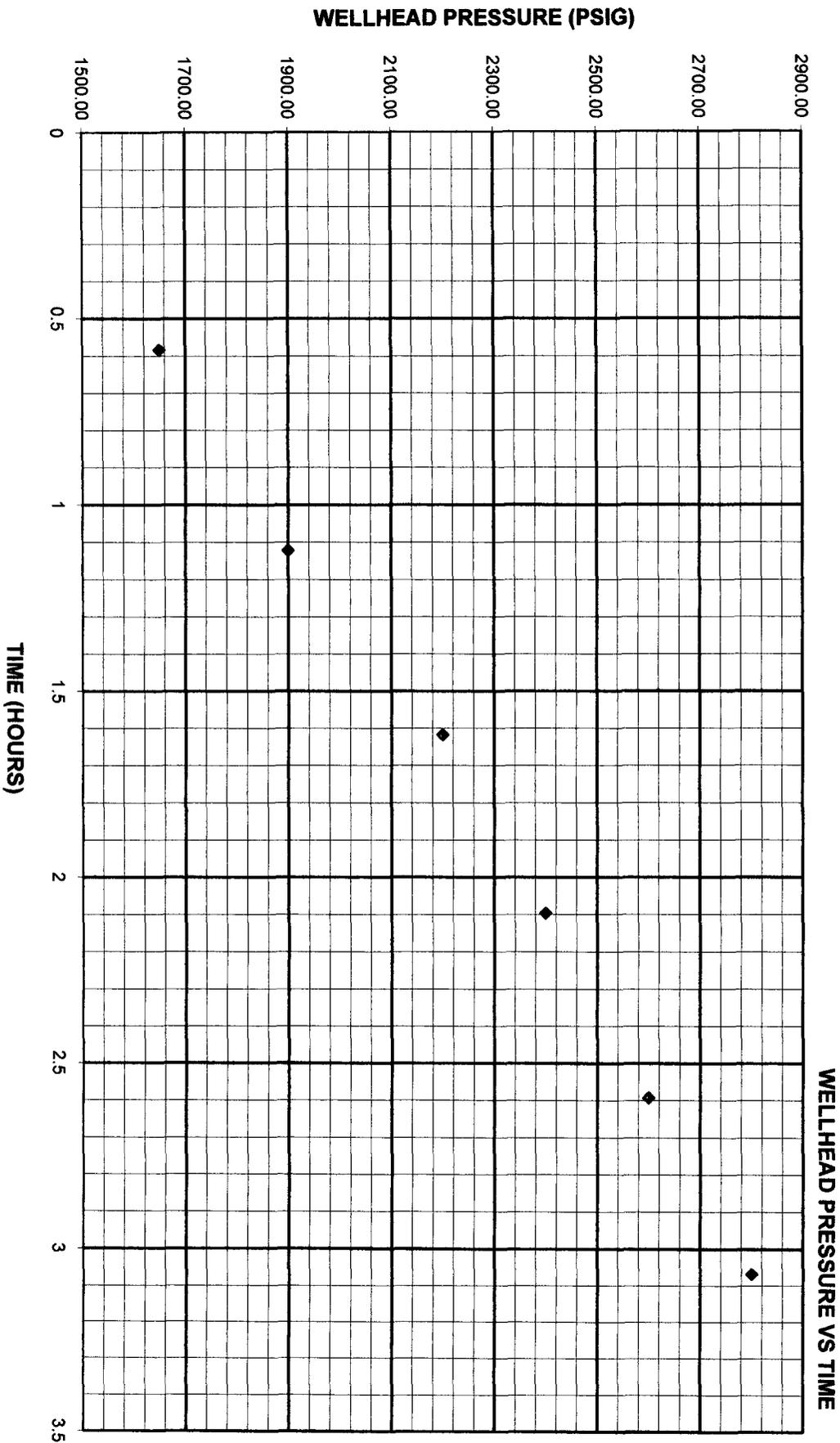
BHP VS TIME



COMPANY: LATIGO OPERATING
LEASE: AZTEC
WELL NUMBER: STATE #7

FIELD: EDDY
COUNTY: NM
STATE: NM

JOB # 71060
TEST DATE: 6/29/2006 - 6/29/2006

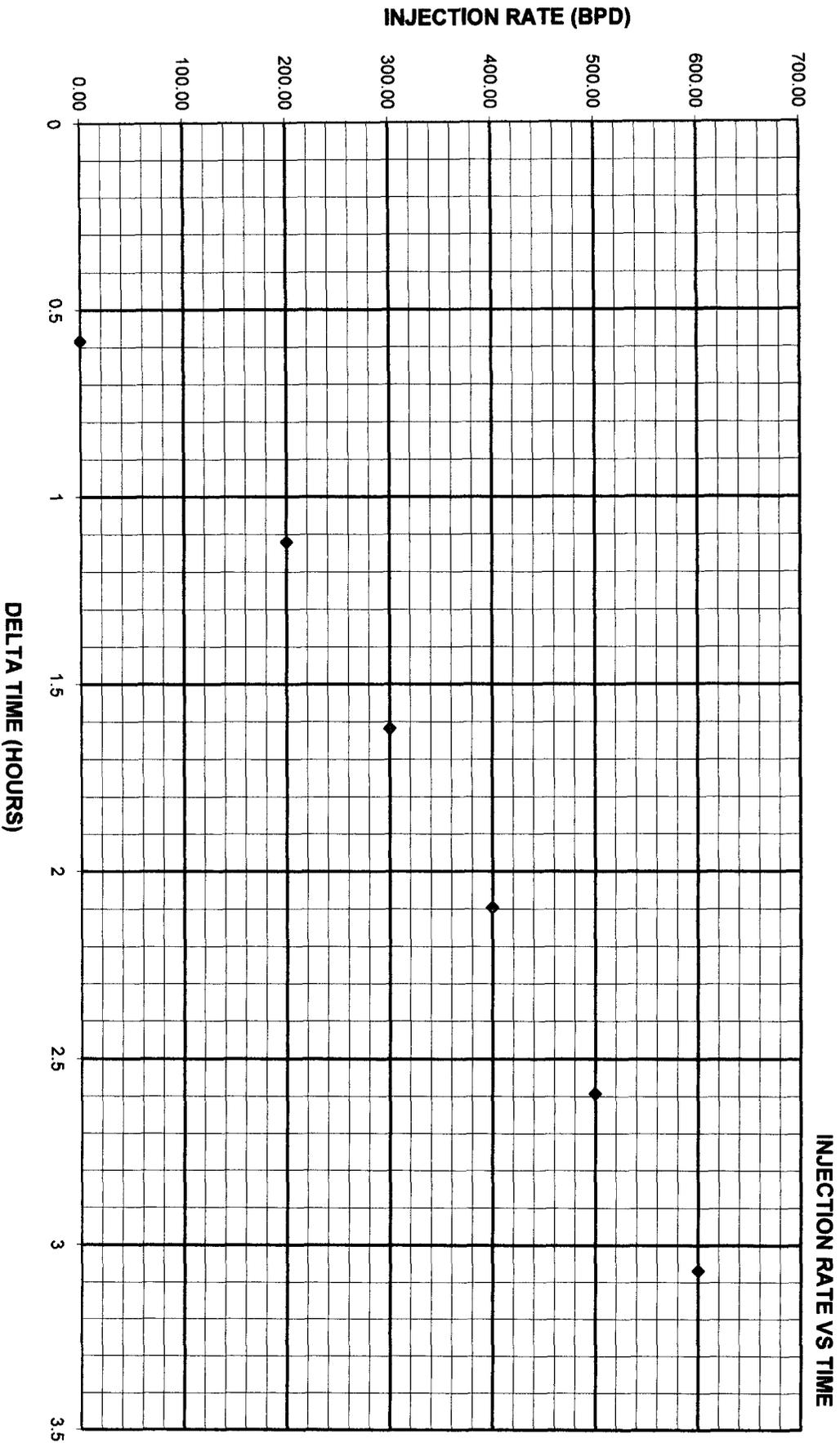




COMPANY: LATIGO OPERATING
LEASE: AZTEC
WELL NUMBER: STATE #7

FIELD: EDDY
COUNTY: NM
STATE: NM

JOB # 71060
TEST DATE: 6/29/2006 - 6/29/2006



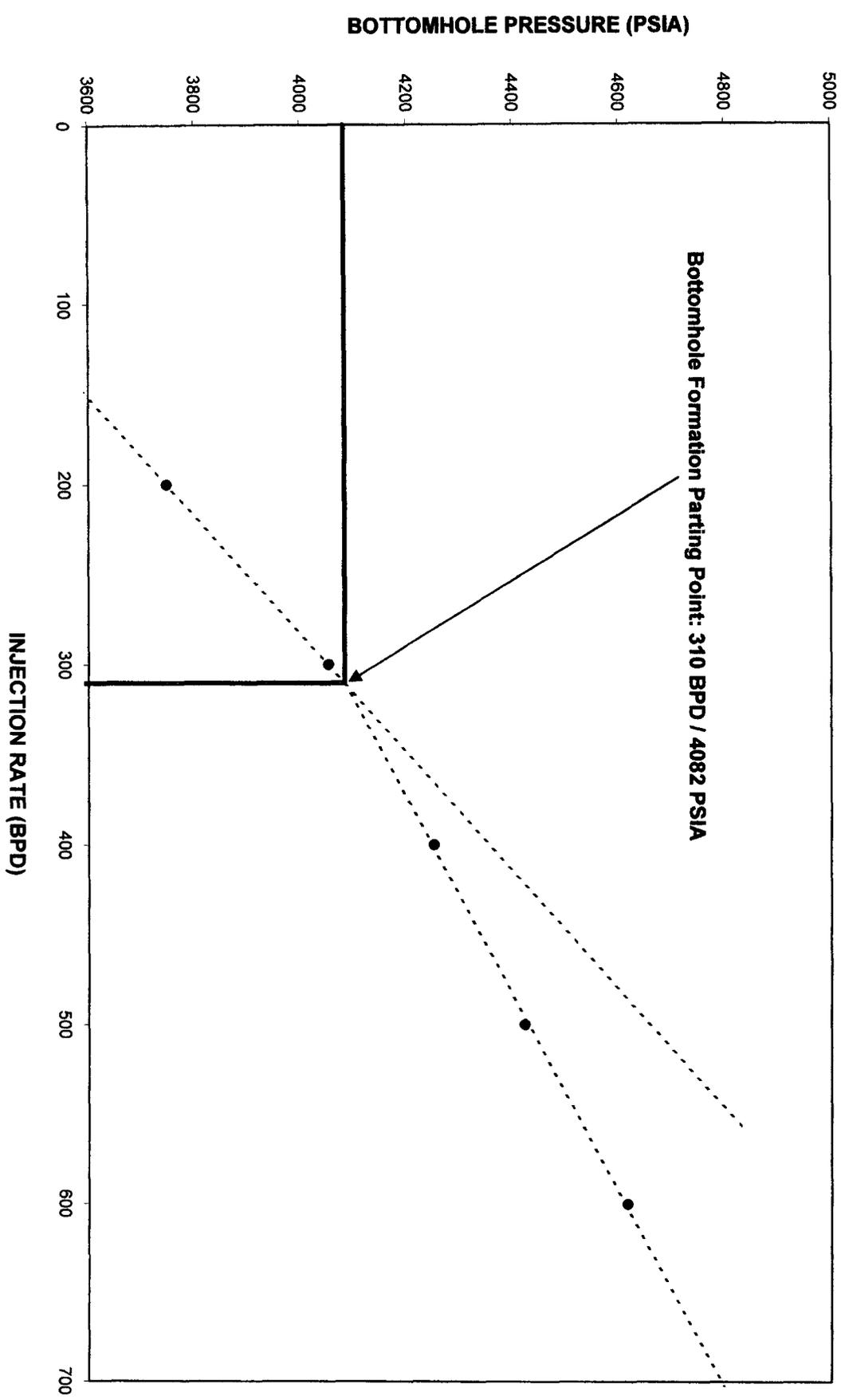


COMPANY: LATIGO OPERATING
LEASE: AZTEC
WELL NUMBER: STATE #7

FIELD: EDDY
COUNTY: NM
STATE: NM

JOB # 71060
TEST DATE: 06/29/06 - 06/29/06

STEP-RATE TEST - BHP VS. INJECTION RATE

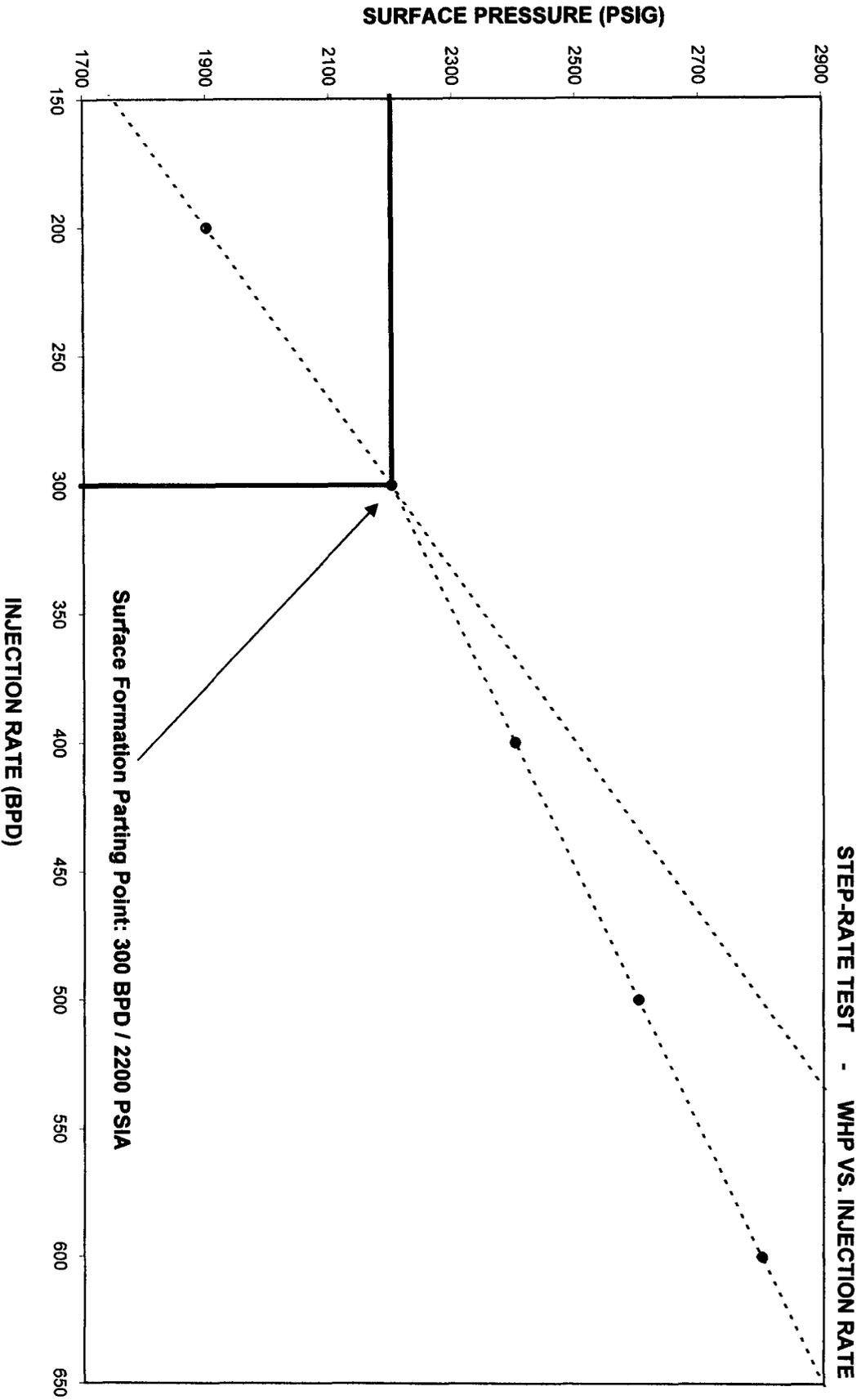




COMPANY: LATIGO OPERATING
LEASE: AZTEC
WELL NUMBER: STATE #7

FIELD: EDDY
COUNTY: NM
STATE: NM

JOB # 71060
TEST DATE: 06/29/06 - 06/29/06

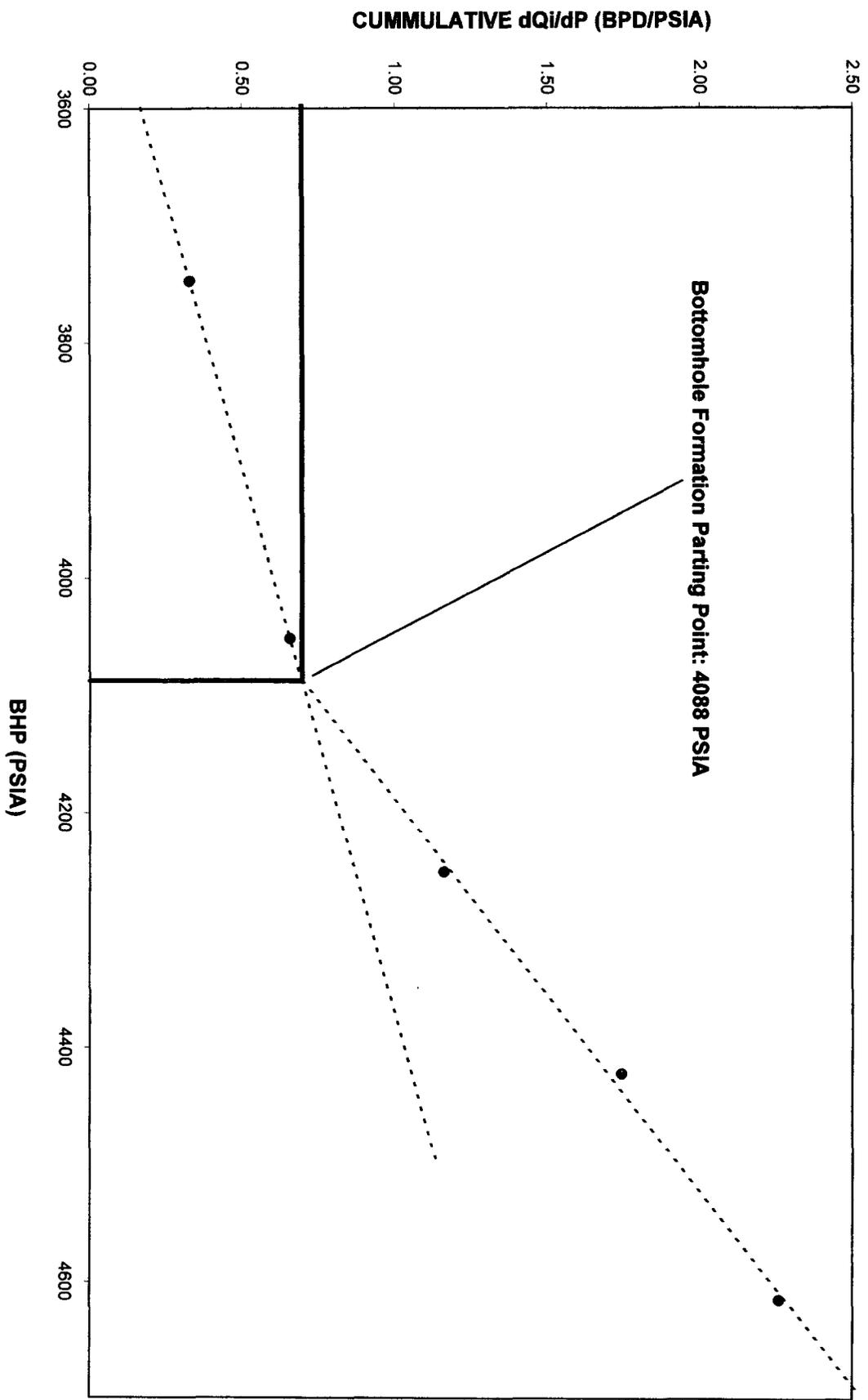




COMPANY: LATIGO OPERATING
LEASE: AZTEC
WELL NUMBER: STATE #7
FIELD: EDDY
COUNTY: NM
STATE: NM

JOB # 71060
TEST DATE: 06/29/06 - 06/29/06

STEP-RATE TEST - CUMMULATIVE dQi/dP VS. BHP





COMPANY: LATIGO OPERATING
 LEASE: AZTEC # STATE #7
 FIELD (FORMATION): ()
 COUNTY: EDDY
 STATE: NM

TEST DATES: 6/29/2006 - 6/29/2006
 RUN DEPTH:
 INSTRUMENT: PPS-1306

REAL TIME	DELTA TIME, HOURS	BOTTOMHOLE PRESSURE, PSIA	REMARKS - JOB NUMBER: 71060
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6/29/06 09:00:00 AM			ARRIVED ON LOCATION / RUN IN HOLE WITH 1 1/4 TOOL STRING TO CHECK TUBING AND CHECK FOR FILL / TAGGED UP IN MIDDLE OF PERFERATIONS. MPP @ 4330'
6/29/06 10:09:00 AM			STARTED GAUGES PPS-1251 FOR TEST
6/29/06 10:15:00 AM			OPEN WELL TO LUBRICATOR
6/29/06 10:29:33 AM			ON BOTTOM AT 4320'
6/29/06 10:29:33 AM	0.3425	3206.76	
6/29/06 10:30:03 AM	0.3508	3206.07	
6/29/06 10:30:33 AM	0.3592	3205.82	
6/29/06 10:31:03 AM	0.3675	3205.58	
6/29/06 10:31:33 AM	0.3758	3205.67	
6/29/06 10:32:03 AM	0.3842	3205.54	
6/29/06 10:32:33 AM	0.3925	3205.47	
6/29/06 10:33:03 AM	0.4008	3205.42	
6/29/06 10:33:33 AM	0.4092	3205.39	
6/29/06 10:34:03 AM	0.4175	3205.38	
6/29/06 10:34:33 AM	0.4258	3205.37	
6/29/06 10:35:03 AM	0.4342	3205.39	
6/29/06 10:35:33 AM	0.4425	3205.42	
6/29/06 10:36:03 AM	0.4508	3205.45	
6/29/06 10:36:33 AM	0.4592	3205.48	
6/29/06 10:37:03 AM	0.4675	3205.51	
6/29/06 10:37:33 AM	0.4758	3205.54	
6/29/06 10:38:03 AM	0.4842	3205.56	
6/29/06 10:38:33 AM	0.4925	3205.59	
6/29/06 10:39:03 AM	0.5008	3205.61	
6/29/06 10:39:33 AM	0.5092	3205.65	
6/29/06 10:40:03 AM	0.5175	3205.69	
6/29/06 10:40:33 AM	0.5258	3205.73	
6/29/06 10:41:03 AM	0.5342	3205.69	
6/29/06 10:41:33 AM	0.5425	3205.67	
6/29/06 10:42:03 AM	0.5508	3205.56	

REAL TIME	DELTA TIME, HOURS	BOTTOMHOLE PRESSURE, PSIA	REMARKS - JOB NUMBER: 71060
6/29/06 10:42:33 AM	0.5592	3205.31	
6/29/06 10:43:03 AM	0.5675	3188.77	
6/29/06 10:43:33 AM	0.5758	3162.09	
6/29/06 10:44:03 AM			BEGAN STEP RATE TEST AT 200BDP/ 30 MIN RATE WITH 100 BDP INCREMENTS
6/29/06 10:44:03 AM	0.5842	3136.24	
6/29/06 10:45:18 AM	0.6050	3185.73	
6/29/06 10:46:33 AM	0.6258	3299.22	
6/29/06 10:47:48 AM	0.6467	3403.14	
6/29/06 10:49:03 AM	0.6675	3464.80	
6/29/06 10:50:18 AM	0.6883	3500.08	
6/29/06 10:51:33 AM	0.7092	3534.31	
6/29/06 10:52:48 AM	0.7300	3562.18	
6/29/06 10:54:03 AM	0.7508	3583.70	
6/29/06 10:55:18 AM	0.7717	3600.61	
6/29/06 10:56:33 AM	0.7925	3615.65	
6/29/06 10:57:48 AM	0.8133	3628.62	
6/29/06 10:59:03 AM	0.8342	3642.75	
6/29/06 11:00:00 AM			1ST RATE
6/29/06 11:00:18 AM	0.8550	3652.83	
6/29/06 11:01:33 AM	0.8758	3661.50	
6/29/06 11:02:48 AM	0.8967	3670.15	
6/29/06 11:04:03 AM	0.9175	3677.79	
6/29/06 11:05:18 AM	0.9383	3684.07	
6/29/06 11:06:33 AM	0.9592	3691.03	
6/29/06 11:07:48 AM	0.9800	3698.81	
6/29/06 11:09:03 AM	1.0008	3706.62	
6/29/06 11:10:18 AM	1.0217	3714.25	
6/29/06 11:11:33 AM	1.0425	3721.73	
6/29/06 11:12:48 AM	1.0633	3728.80	
6/29/06 11:14:03 AM	1.0842	3734.25	
6/29/06 11:15:18 AM	1.1050	3739.32	
6/29/06 11:16:18 AM			END OF 1ST RATE @ 200 BPD / BEGIN 2ND RATE
6/29/06 11:16:18 AM	1.1217	3747.06	
6/29/06 11:17:33 AM	1.1425	3786.61	
6/29/06 11:18:48 AM	1.1633	3819.69	
6/29/06 11:20:03 AM	1.1842	3841.42	
6/29/06 11:21:18 AM	1.2050	3858.31	
6/29/06 11:22:33 AM	1.2258	3875.55	
6/29/06 11:23:48 AM	1.2467	3891.74	
6/29/06 11:25:03 AM	1.2675	3905.15	
6/29/06 11:26:18 AM	1.2883	3914.37	
6/29/06 11:27:33 AM	1.3092	3925.99	
6/29/06 11:28:48 AM	1.3300	3938.15	
6/29/06 11:30:00 AM			2ND RATE
6/29/06 11:30:03 AM	1.3508	3948.64	
6/29/06 11:31:18 AM	1.3717	3954.24	
6/29/06 11:32:33 AM	1.3925	3962.42	
6/29/06 11:33:48 AM	1.4133	3972.39	

REAL TIME	DELTA TIME, HOURS	BOTTOMHOLE PRESSURE, PSIA	REMARKS - JOB NUMBER: 71060
6/29/06 11:35:03 AM	1.4342	3981.46	
6/29/06 11:36:18 AM	1.4550	3986.57	
6/29/06 11:37:33 AM	1.4758	3993.86	
6/29/06 11:38:48 AM	1.4967	4003.42	
6/29/06 11:40:03 AM	1.5175	4011.92	
6/29/06 11:41:18 AM	1.5383	4017.93	
6/29/06 11:42:33 AM	1.5592	4024.23	
6/29/06 11:43:48 AM	1.5800	4032.53	
6/29/06 11:45:03 AM	1.6008	4040.78	
6/29/06 11:46:03 AM			END OF 2ND RATE @ 300 BPD / BEGIN 3RD RATE
6/29/06 11:46:03 AM	1.6175	4051.38	
6/29/06 11:47:18 AM	1.6383	4072.23	
6/29/06 11:48:33 AM	1.6592	4089.74	
6/29/06 11:49:48 AM	1.6800	4108.43	
6/29/06 11:51:03 AM	1.7008	4120.17	
6/29/06 11:52:18 AM	1.7217	4131.92	
6/29/06 11:53:33 AM	1.7425	4143.84	
6/29/06 11:54:48 AM	1.7633	4155.90	
6/29/06 11:56:03 AM	1.7842	4163.82	
6/29/06 11:57:18 AM	1.8050	4171.06	
6/29/06 11:58:33 AM	1.8258	4176.26	
6/29/06 11:59:48 AM	1.8467	4184.10	
6/29/06 12:00:00 PM			3RD RATE
6/29/06 12:01:03 PM	1.8675	4191.92	
6/29/06 12:02:18 PM	1.8883	4200.93	
6/29/06 12:03:33 PM	1.9092	4204.85	
6/29/06 12:04:48 PM	1.9300	4211.22	
6/29/06 12:06:03 PM	1.9508	4213.15	
6/29/06 12:07:18 PM	1.9717	4219.60	
6/29/06 12:08:33 PM	1.9925	4225.65	
6/29/06 12:09:48 PM	2.0133	4233.84	
6/29/06 12:11:03 PM	2.0342	4239.07	
6/29/06 12:12:18 PM	2.0550	4243.94	
6/29/06 12:13:33 PM	2.0758	4246.52	
6/29/06 12:14:48 PM			END OF 3RD RATE @ 400 BPD / BEGIN 4TH RATE
6/29/06 12:14:48 PM	2.0967	4250.03	
6/29/06 12:16:03 PM	2.1175	4265.91	
6/29/06 12:17:18 PM	2.1383	4285.04	
6/29/06 12:18:33 PM	2.1592	4294.70	
6/29/06 12:19:48 PM	2.1800	4307.19	
6/29/06 12:21:03 PM	2.2008	4316.85	
6/29/06 12:22:18 PM	2.2217	4322.43	
6/29/06 12:23:33 PM	2.2425	4332.23	
6/29/06 12:24:48 PM	2.2633	4337.08	
6/29/06 12:26:03 PM	2.2842	4342.25	
6/29/06 12:27:18 PM	2.3050	4351.17	
6/29/06 12:28:33 PM	2.3258	4355.16	
6/29/06 12:29:48 PM	2.3467	4360.45	
6/29/06 12:30:00 PM			4TH RATE

REAL TIME	DELTA TIME, HOURS	BOTTOMHOLE PRESSURE, PSIA	REMARKS - JOB NUMBER: 71060
6/29/06 12:31:03 PM	2.3675	4366.37	
6/29/06 12:32:18 PM	2.3883	4369.67	
6/29/06 12:33:33 PM	2.4092	4375.91	
6/29/06 12:34:48 PM	2.4300	4381.05	
6/29/06 12:36:03 PM	2.4508	4384.40	
6/29/06 12:37:18 PM	2.4717	4390.65	
6/29/06 12:38:33 PM	2.4925	4394.71	
6/29/06 12:39:48 PM	2.5133	4400.73	
6/29/06 12:41:03 PM	2.5342	4408.62	
6/29/06 12:42:18 PM	2.5550	4411.61	
6/29/06 12:43:33 PM	2.5758	4418.22	
6/29/06 12:44:33 PM			END OF 4TH RATE @ 500 BPD / BEGIN 5TH RATE
6/29/06 12:44:33 PM	2.5925	4421.40	
6/29/06 12:45:48 PM	2.6133	4446.70	
6/29/06 12:47:03 PM	2.6342	4467.50	
6/29/06 12:48:18 PM	2.6550	4483.46	
6/29/06 12:49:33 PM	2.6758	4497.09	
6/29/06 12:50:48 PM	2.6967	4510.15	
6/29/06 12:52:03 PM	2.7175	4519.14	
6/29/06 12:53:18 PM	2.7383	4527.89	
6/29/06 12:54:33 PM	2.7592	4535.50	
6/29/06 12:55:48 PM	2.7800	4543.94	
6/29/06 12:57:03 PM	2.8008	4550.96	
6/29/06 12:58:18 PM	2.8217	4557.68	
6/29/06 12:59:33 PM	2.8425	4563.68	
6/29/06 01:00:00 PM			5TH RATE
6/29/06 01:00:48 PM	2.8633	4568.78	
6/29/06 01:02:03 PM	2.8842	4574.32	
6/29/06 01:03:18 PM	2.9050	4579.40	
6/29/06 01:04:33 PM	2.9258	4584.61	
6/29/06 01:05:48 PM	2.9467	4589.79	
6/29/06 01:07:03 PM	2.9675	4594.48	
6/29/06 01:08:18 PM	2.9883	4599.72	
6/29/06 01:09:33 PM	3.0092	4603.80	
6/29/06 01:10:48 PM	3.0300	4607.92	
6/29/06 01:12:03 PM	3.0508	4611.43	
6/29/06 01:13:03 PM			END OF 5TH RATE @ 600 BPD / END OF TEST
6/29/06 01:13:03 PM	3.0675	4615.10	

OIL CONSERVATION DIVISION

ADMINISTRATIVE ORDER NO. WFX-676

APPLICATION OF DWIGHT A. TIPTON TO EXPAND ITS WATERFLOOD PROJECT IN THE MALJAMAR POOL IN LEA COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order No. R-10151, Dwight A. Tipton has made application to the Division on June 16, 1995 for permission to expand its Shenandoah-Grayburg-San Andres (Northeast Maljamar) Waterflood Project in the Maljamar Pool in Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been filed in due form.
- (2) Satisfactory information has been provided that all offset operators have been duly notified of the application.
- (3) No objection has been received within the waiting period as prescribed by Rule 701(B).
- (4) The proposed expansion of the above referenced Shenandoah-Grayburg-San Andres (Northeast Maljamar) Waterflood Project will not cause waste nor impair correlative rights.
- (5) The application should be approved.

IT IS THEREFORE ORDERED THAT:

The applicant, Dwight A. Tipton, be and the same is hereby authorized to inject water into the Grayburg and San Andres formations at approximately 4265 feet to approximately 4498 feet through 2 3/8-inch polyethylene lined tubing set in a packer at approximately 4200 feet in the following described well for purposes of secondary recovery to wit:

Aztec State Well No.7
2140' FNL and 1980' FEL
Unit Letter "J"
Section 8, Township 17 South, Range 33 East, NMPM
Lea County, NewMexico

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure of the injection well to no more than 853 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Grayburg and San Andres formations. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Hobbs district office of the Division of the failure of the tubing, casing or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

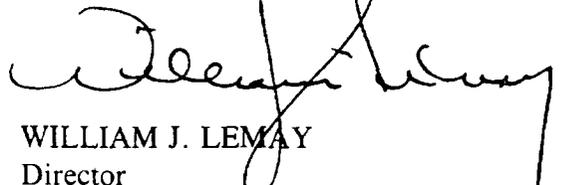
The subject well shall be governed by all provisions of Division Order No. R-3155, and Rules 702-706 of the Division Rules and Regulations not inconsistent herewith.

PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for the entry of such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh water or in a manner inconsistent with the requirements set forth in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

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.

DONE at Santa Fe, New Mexico, on this 6th day of November, 1995.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WLJ/BES

cc: Oil Conservation Division - Hobbs
State Land Office - Oil & Gas Division