

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-296
April 11, 2008

Stephens & Johnson Operating Co
PO Box 2249
Wichita Falls, TX 76307-2249

Attention: Bob Gilmore

RE: Injection Pressure Increase Request

Denton North Wolfcamp Unit Waterflood Project (Case No 3340, Order No R-3001)
Tract 15 Well No. 5 API No. 30-025-05139, Unit A, Sec 26, WFX-815
Tract 6 Well No. 633 API No. 30-025-33090, Unit G, Sec 35, WFX-766
Township 14 South, Range 37 East, NMPM, Lea County
Denton; Wolfcamp Pool (Pool No. 17290)

Reference is made to your request on behalf of Stephens & Johnson Operating Co. (OGRID 19958) received March 27, 2008, to increase the surface injection pressure limit on the two above named wells in the Denton North Wolfcamp Unit Waterflood Project.

Administrative Order No WFX-815 approved on October 18, 2005, permitted Well No. 15-5 for injection into the Wolfcamp formation at 9294 to 9450 feet and allowed a maximum surface injection pressure of 1,859 psi. Administrative Order No WFX-766 approved on November 8, 2000, permitted Well No. 6-33 for injection into the Wolfcamp formation at 9170 to 9300 feet and allowed a maximum surface injection pressure of 1,834 psi. It is our understanding that these wells will not take a sufficient volume of water at these pressure limits and higher pressure limits are needed to optimize waterflood operations within this unit.

The basis for granting these pressure increases is injection tests run on these wells in March of 2008. You are hereby authorized to utilize up to the following maximum surface injection pressures on these wells provided the tubing, size, type, and setting depth does not change.

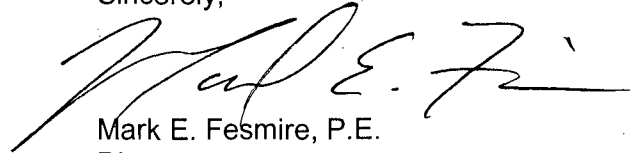
| <u>Well</u> | <u>Max Pressure</u> |
|---|---------------------|
| DNWCU Tract 15 Well No. 5 API No. 30-025-05139 | 2,710 psi |
| DNWCU Tract 6 Well No. 633 API No. 30-025-33090 | 3,216 psi |



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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 black ink, appearing to read 'Mark E. Fesmire', is written over the typed name.

Mark E. Fesmire, P.E.
Director

cc: Oil Conservation Division – Hobbs
WFX-815
WFX-766