

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-301

June 30, 2008

Melrose Operating Company
C/o Ann E. Ritchie
P.O. Box 953
Midland, TX 79702

Attention: Ann E. Ritchie, Regulatory Agent

RE: Injection Pressure Increase Request

Artesia Unit Well No. 46 (API No. 30-015-01541)

Unit F, Sec 3, Township 18 South, Range 28 East, NMPM, Eddy County

Artesia; Queen Grayburg San Andres Pool (3230)

Reference is made to your request on behalf of Melrose Operating Company (OGRID 184860) received April 21, 2008, to increase the surface injection pressure limit on the two above named wells in the Jalmat Field Yates Sand Unit.

This well was approved by the Division for injection into perforations from 2125 feet to 2419 feet (Case No. 13199) with Order No R-11720-A and given a maximum surface injection pressure of 425 psi.

It is our understanding that this well will not take a sufficient volume of water at this pressure limit and a higher pressure limit is needed to optimize waterflood operations within this unit.

The basis for granting this pressure increases the injection step rate test run on this well in January of 2008. The results of the step rate test show that an increase in the surface injection pressure for this well is justified and will not result in the fracturing of the injection formation and confining strata.

You are hereby authorized to utilize up to the following maximum surface injection pressures on this well provided the tubing, size, type, and setting depth does not change.

Max Surface Pressure

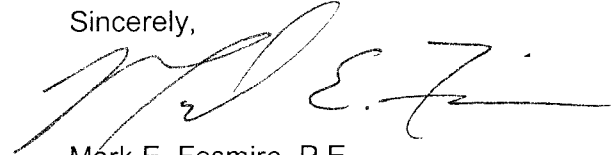
850 psi

This approval is subject to your being in compliance with Division Rule 40. 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 fresh water aquifers are being endangered.

Sincerely,

A handwritten signature in black ink, appearing to read 'M.E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Artesia
Case 13199