



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-314
February 25, 2009

Dugan Production Corp.
P.O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John Alexander

RE: Injection Pressure Increase Request

Mary Lou Well No. 1 (API No. 30-045-26460) SWD-884-B
Section 32, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico
SWD; Point Lookout member of the Mesaverde formation
Through perforations from 3458 feet to 3570 feet

Reference is made to your request on behalf of Dugan Production Corporation (OGRID 6515) received by the Division February 12, 2009, to increase the surface injection pressure limit on the above named disposal well.

Administrative Order No SWD-884-B approved on February 8, 2006, permitted the Mary Lou Well No. 1 for injection into the Point Lookout member of the Mesaverde formation at 3458 feet to 3570 feet and allowed a maximum surface injection pressure of 692 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 enable increased water disposal.

The basis for granting this pressure increase is the step rate test run by Tefteller Inc. on this well in February of 2009. Tefteller measured the surface and downhole pressures during this test with electronic pressure gauge.

You are hereby authorized to utilize up to **1004 psi** as the maximum surface injection pressure on this well provided the tubing, size, type, setting depth and perforation depths do not change.

This approval is subject to your being in compliance with all other Division rules, including but not limited to Division Rule 5.9.



February 23, 2009

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.

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.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/tw

cc: Oil Conservation Division - Aztec
File: SWD-884-B