

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order IPI-486
April 6, 2015

Mr. Clint Brian
Capstone Natural Resources, LLC
2250 E. 73rd Street, Suite 500
Tulsa, OK 74136-6834

RE: Injection Pressure Increase

Injection Permit: Order No. R-4697-B

Pool: Artesia; Grayburg Jackson; SR-Q-G-SA (Pool code: 28509)

Lea C Federal Well No. 4 API 30-015-05132

Unit J, Sec 11, T17S, R31E, NMPM, Eddy County, New Mexico

Dear Mr. Brian

Reference is made to your request on behalf of Capstone Natural Resources, LLC (OGRID 289372) received by the Division on March 11, 2015, to increase the maximum allowed surface tubing pressure on the above named well.

This well was authorized by the Division for waterflood in the Grayburg and San Andres formations by Order No. R-4697-B approved October 29, 2013. This order reinstated a lease waterflood project and approved the injection of produced water utilizing injection wells operated during the prior waterflood project. As established in Ordering Paragraph (9), the well has an approved maximum surface tubing pressure of 681 psi.

It is our understanding that the applicant is requesting an increase in the maximum surface injection pressure in order to enhance the recovery process. It is also understood that an increase will not result in the fracturing of the formation and confining strata.

Based on a step-rate test for this well conducted February 24, 2015, through 2 3/8-inch tubing, you are hereby authorized to inject at the following maximum surface tubing pressure:

Lea C Federal Well No. 4

API 30-015-05132

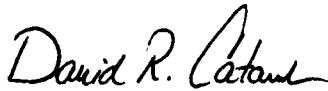
1232 psi

This approval is based on the provision that the tubing size, packer setting depth and completion interval for this well does not change. Any future requested pressure increase will require resubmission of additional data and a new step-rate test. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well. This approval is subject to your

being in compliance with all other Division rules, including but not limited to Division Rule 19.15.5.9 NMAC.

The Division Director may rescind this permitted injection pressure increase if it becomes apparent that the injected fluid is not being confined to the permitted disposal interval or is endangering any fresh water aquifer.

Sincerely,



DAVID R. CATANACH
Director

DRC/prg

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office
Well File 30-015-05132