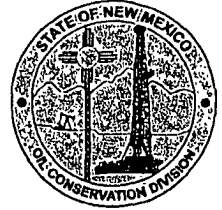


New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order WFX-841
October 18, 2008

APPLICATION OF MELROSE OPERATING COMPANY TO EXPAND ITS
SECONDARY RECOVERY PROJECT IN THE JALMAT;TANSILL-YATES-
SEVENRIVERS OIL POOL IN LEA COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order R-2243, Melrose Operating Company (OGRID No. 184860) has made application to the Division for permission to add five water injection wells to its Jalmat Field Yates Sand Unit Waterflood Project located within the Jalmat;Tansill-Yates-SevenRivers Oil Pool (33820) in Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application was filed in due form. No objections have been filed within the waiting period prescribed by Division Rule 701(C). The proposed injection wells are eligible for water injection under the terms of Rule 701.

Satisfactory information was provided to demonstrate that affected parties were provided notice of the application. No objections have been filed.

The proposed water injection wells will not cause waste nor impair correlative rights and should be approved.

IT IS THEREFORE ORDERED THAT:

Melrose Operating Company is hereby authorized to inject water into the unitized interval, through plastic-lined tubing set in packers located within 100 feet of the top of the injection intervals in the following-described wells for purposes of secondary recovery:



Jalmat Field Yates Sand Unit Well No. 179 (API No. 30-025-38869)

730' FNL, 699' FWL, Unit D, Sec 13, T22S, R35E, NMPM
Permitted Injection Interval (Perforated): 3772 - 4002
Maximum Surface Injection Pressure: 1150 PSIG Water

Jalmat Field Yates Sand Unit Well No. 185 (API No. 30-025-38872)

692' FNL, 2089' FEL, Unit B, Sec 13, T22S, R35E, NMPM
Permitted Injection Interval (Perforated): 3662 - 3904
Maximum Surface Injection Pressure: 1150 PSIG Water

Jalmat Field Yates Sand Unit Well No. 195 (API No. 30-025-38874)

1970' FNL, 448' FEL, Unit H, Sec 14, T22S, R35E, NMPM
Permitted Injection Interval (Perforated): 3829 - 4035
Maximum Surface Injection Pressure: 1100 PSIG Water

Jalmat Field Yates Sand Unit Well No. 222 (API No. 30-025-38875)

606' FNL, 1802' FEL, Unit B, Sec 14, T22S, R35E, NMPM
Permitted Injection Interval (Perforated): 3853 - 4024
Maximum Surface Injection Pressure: 1400 PSIG Water

Jalmat Field Yates Sand Unit Well No. 250 (API No. 30-025-38925)

625' FNL, 1853' FWL, Unit C, Sec 13, T22S, R35E, NMPM
Permitted Injection Interval (Perforated): 3744 - 4055
Maximum Surface Injection Pressure: 1150 PSIG Water

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 these wells, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

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 wells or injection system shall be equipped with pressure limiting devices which will limit the wellhead pressure to the maximum surface injection pressure described above.

The Director of the Division may authorize increases in injection pressure upon a proper showing by the operator that higher pressure will not result in migration of the injected fluid from the permitted injection interval or harmful formation fracturing. Such proper showing shall consist of valid step-rate tests and possibly injection profiles or pressure transient testing run in accordance with and acceptable to this office.

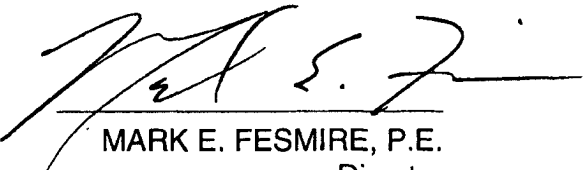
The operator shall notify the supervisor of the District Office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the District Office of the failure of the tubing, casing or packer in said wells and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject wells shall be governed by all provisions of Division Order No. R-2243, and Rules 702-706 of the Division Rules and Regulations not inconsistent herewith.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon 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 at least one of the subject wells, provided however, the Division, upon written request by the operator received prior to the one year deadline, may grant an extension thereof for good cause shown.


MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Hobbs
State Land Office – Oil, Gas, and Minerals Division