



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

July 3, 2001

Fagadau Energy Corporation
Two Energy Square
4849 Greenville Avenue
Suite 1600
Dallas, Texas 75206-4130

Attn: Ms. Carolyn L. McKee

**RE: Injection Pressure Increase,
Arco SWD Well No. 1
API No. 30-025-31846
Lea County, New Mexico**

Dear Ms. McKee:

Reference is made to your request dated May 11, 2001 to increase the surface injection pressure on the above referenced well. This request is based on a step rate test conducted on the well on April 13, 2001. The results of the test have been reviewed by my staff and we feel an increase in injection pressure on this well is justified at this time.

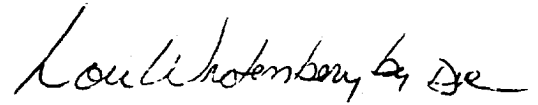
You are therefore authorized to increase the surface injection pressure on the following well:

<i>Well and Location</i>	<i>Maximum Surface Injection Pressure</i>
Arco SWD Well No. 1	2000 PSIG
Located in Unit O of Section 18, Township 17 South, Range 39 East, Lea County, New Mexico.	

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected water is not being confined to the injection zone or is endangering any fresh water aquifers.

*Injection Pressure Increase
Fagadau Energy Corporation
Arco SWD Well No. 1
July 3, 2001*

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/DRC

cc: Oil Conservation Division - Hobbs /
Files: SWD-586; PSI-X 3rd QTR01