



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 27, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Seely Oil Company
c/o Holland & Hart LLP
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Mr. William F. Carr

Dear Mr. Carr:

I have reviewed your latest Form C-108 submittal dated September 23, 2004 on behalf of Seely Oil Company for its Central EK Queen Unit Well No. 13, located in Unit N of Section 7, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico. Please be advised that the application is now complete and an injection permit for this well will be issued by the Division on October 7, 2004, unless an objection to the application is received before that date. In addition, pursuant to our conversation on September 23, 2004, this letter will verify that on that date I gave Seely Oil Company verbal approval to commence injection operations into the well.

It is our understanding that injection operations into this well have been ongoing for some time, despite the fact that Seely Oil Company had no previous authority to inject into the well. Please be advised that injection without a valid injection permit constitutes a major violation of Division Rules and Regulations. Any future violation of this nature within the Central EK Queen Unit Waterflood Project will result in serious enforcement action taken against Seely Oil Company.

Your letter also requests that the previously filed step rate injection test for the subject well be approved. Division records show that the application to increase the surface injection pressure on the Central EK Queen Unit No. 13 was received by the Division on August 26, 2004 (Application No. psem0424326503), and that by letter dated September 9, 2004, the application was denied by the Division. For the reasons outlined in the letter to Seely Oil Company, any increase in the surface injection pressure will require that a new step rate test be conducted on the well in accordance with a procedure approved by the Division.

If you should have any questions, please contact me at (505) 476-3466.

Seely Oil Company
Central EK Queen Unit No. 13
September 27, 2004
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "David Catanach", with a long horizontal flourish extending to the right.

David Catanach
Engineer

Xc: Permit File
OCD-Hobbs