

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

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

Jami Bailey, Division Director
Oil Conservation Division



Administrative Order WFX-900-A
Application Reference No. pTWG12115133768

June 10, 2013

Mr. Charles W. Seely, Jr.
Seely Oil Company
815 West Tenth Street
Fort Worth, TX 76102

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Division Order R-2913, Seely Oil Company (OGRID No. 20497) has made application to the Division for permission to add an injection well to its EK Penrose Sand Unit Waterflood Project located within the Penrose Sand member of the Queen formation, EK Yates-Seven Rivers-Queen Pool (19950) 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 19.15.26.8C (2). The proposed injection well is eligible for conversion to injection under the terms of Rule 19.15.26.8. The operator is in compliance with Rule 19.15.5.9.

The proposed extension of the above-referenced waterflood project, will prevent waste, is in the best interests of conservation, will not impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED THAT:

Seely Oil 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 well for purposes of secondary recovery:

Federal T Well No. 19 (API No. 30-025-37587) 660 FNL, 1980 FEL Unit N, T-18-S, R-33-E (formally EK Queen Unit #619).

Providing that all conditions contained in the order remain the same and there have been no additional wells drilled or plugged in the area of review.

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 operation into this well, 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 wells shall pass an initial mechanical integrity test ("MIT") prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT testing procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure to 0.2 psi/ft. to the uppermost injection perforations, as shown above.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such 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 a valid step-rate test run in accordance with and acceptable to the Hobbs District Office.

The operator shall notify the supervisor of the Hobbs 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 Hobbs 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-2913, and Rules 19.15.26.9 through 19.15.26.13 not inconsistent herewith.

This Order is amended at the discretion of the Oil Conservation Division and hereby supersedes Order No. WFX-900, issued on May 30, 2012.

According to Division records, injection into the E-K Queen Project Area, E-K Queen Pool, has commenced and continued without an interruption of twelve or more consecutive months. Consequently the E-K Queen Project Area is still in force and effect, and expansion thereof is hereby authorized administratively.

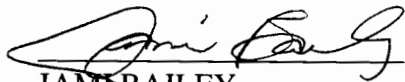
Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this

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order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", written over a horizontal line.

JAMI BAILEY

Director

JB/re

cc: New Mexico Oil Conservation Division - Hobbs
United States Bureau of Land Management