

SEELY OIL COMPANY

815 WEST TENTH STREET
FORT WORTH, TEXAS 76102

January 9, 2003

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Seely Oil Company for Enhanced Oil Recovery Project
Qualification for the Recovered Oil Tax Rate at the E-K Penrose Sand
Unit, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Seely Oil Company hereby makes application to qualify (a portion of) the E-K Penrose Sand Unit for the recovered oil tax rate as authorized by the Enhanced Oil Recovery Act. Seely Oil Company plans to commence waterflood operations in the project area during the third quarter of 2003. Seely Oil Company is making application pursuant to the rules promulgated by Oil Conservation Commission Order No. R-9708 entered on August 27, 1992.

In accordance with this Order, Seely Oil Company provides the following information:

A. Operator's name and address:

Seely Oil Company
213 West Tenth Street
Fort Worth, Texas 76102

B. Description of the project area:

1. Exhibit "A" is a plat outlining the project area
2. The following describes the acreage within the project area:

Township 18 South, Range 33 East, N.M.P.M.

Section 24: SE/4
Section 25: NE/4

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case Nos. 12964/12983 Exhibit No. 18
Submitted by:
Seely Oil Company
Hearing Date: January 9, 2003

Township 18 South, Range 34 East, N.M.P.M.

Section 19: S/2

Section 20: S/2 SW/4, NW/4 SW/4

Section 29: NW/4, N/2 SW/4

Section 30: N/2, N/2 SE/4, E/2 SW/4

The proposed project will impact the Unit area as shown on Exhibit "A" and includes the wells listed on Exhibit "C".

3. Total acres:

The E-K Penrose Sand Unit contains a total of 1469.75 acres more or less. Seely Oil Company is targeting for this waterflood project.

4. Subject pool and formation:

The E-K Penrose Sand Unit is within the E-K Yates-Seven Rivers-Queen Pool. The unit includes the (portions of the) Lower Queen (Penrose) of the Queen formation.

Exhibit "B" is the type-log identified in the Unit Agreement.

C. Status of operations in the project area:

1. The name of the Unit is the E-K Penrose Sand Unit.
2. The Unit has not previously been approved by the Division

D. Method of recovery to be used:

1. Identify fluids to be injected:

Water

2. If the Division has not approved the project, provide the date the application for approval was filed with the Division on Form C-108:

January 9, 2003

E. Description of the project:

1. List of producing wells:

Attach as Exhibit "C" a list of all producing wells within the project area -
- provide locations by footage location, section, township and range.

State whether or not there are plans to drill additional producing wells
within the project area.

Drill 2 Recovery and 1 P&A well (3 wells total)

2. List of injection wells:

Attach as Exhibit "A" is a plat showing all injection wells within the
project area.

There are no plans to add additional injection wells within the project area
at this time.

3. Capital costs of additional facilities:

Field installations and upgrades \$1,800,000

4. Total project costs:

\$3,400,000 (Development and Operations, 12-Year Life).

5. Estimated total value of the additional production that will be recovered
as a result of this project:

The value of the the additional hydrocarbons to be produced from the
proposed waterflood project has been determined by using an average
posted price for the oil of \$22 per stock tank barrel and additional
anticipated recovery of 460,000 barrels of oil to be produced from the
proposed project as set out below:

$460,000 \times \$22/\text{STB} = \text{Approximately } \$10,000,000$

6. The anticipated date for commencement of injection:

Third Quarter 2003

7. The anticipated volumes of produced water to be injected in the project area is 800 BBLs/D

8. Production Data:

Exhibit "D1" and "D2" are graphs that show the production history for the project and a forecast of the enhanced recovery of oil anticipated from this project.

Seely Oil Company requests that this application be set for hearing and, if no objections are received, that it be approved.

Very truly yours,

Seely Oil Company

A handwritten signature in black ink, appearing to read "David L. Henderson". The signature is written in a cursive style with a large initial "D".

David L. Henderson
Vice President

Township 18 South, Range 34 East, N.M.P.M.

Section 19: S/2

Section 20: S/2 SW/4, NW/4 SW/4

Section 29: NW/4, N/2 SW/4

Section 30: N/2, N/2 SE/4, E/2 SW/4

The proposed project will impact 53.5% of the Unit area which is shown on Exhibit "A" and includes the wells listed on Exhibit "C".

3. Total acres:

The E-K Penrose Sand Unit contains a total of 1469.75 acres more or less. Seely Oil Company is targeting 786 acres for this waterflood project.

4. Subject pool and formation:

The E-K Penrose Sand Unit is within the E-K Yates-Seven Rivers-Queen Pool. The unit includes the (portions of the) Lower Queen (Penrose) of the Queen formation.

Exhibit "B" is the type-log identified in the Unit Agreement.

C. Status of operations in the project area:

1. The name of the Unit is the E-K Penrose Sand Unit.
2. The Unit has not previously been approved by the Division

D. Method of recovery to be used:

1. Identify fluids to be injected:

Water

2. If the Division has not approved the project, provide the date the application for approval was filed with the Division on Form C-108:

January 9, 2003

E. Description of the project:

1. List of producing wells:

Attach as Exhibit "C" a list of all producing wells within the project area -
- provide locations by footage location, section, township and range.

State whether or not there are plans to drill additional producing wells
within the project area.

Drill 2 Recovery and 1 P&A well (3 wells total)

2. List of injection wells:

Attach as Exhibit "A" is a plat showing all injection wells within the
project area.

There are no plans to add additional injection wells within the project area
at this time.

3. Capital costs of additional facilities:

Field installations and upgrades \$1,800,000

4. Total project costs:

\$3,400,000 (Development and Operations, 12-Year Life).

5. Estimated total value of the additional production that will be recovered
as a result of this project:

Provide the estimated additional STB of oil and the estimated additional
BCF of hydrocarbon gas. Use an average posted price for the oil and an
equivalent barrel based price for the gas to determine the value of the
additional hydrocarbons to be produced from the proposed project.

$460,000 \times \$22/\text{STB} = \text{Approximately } \$10,000,000$

6. The anticipated date for commencement of injection:

Third Quarter 2003

7. Identify the fluid to be injected and the anticipated volumes:
Produced Water
8. Production Data:

Exhibit "D" is a graph with supporting data attached thereto that shows the production and injection history for the project and a forecast of the enhanced recovery of oil, gas, casinghead gas and water anticipated from this project.

Seely Oil Company requests that this application be set for hearing and, if no objections are received, that it be approved.

Very truly yours,

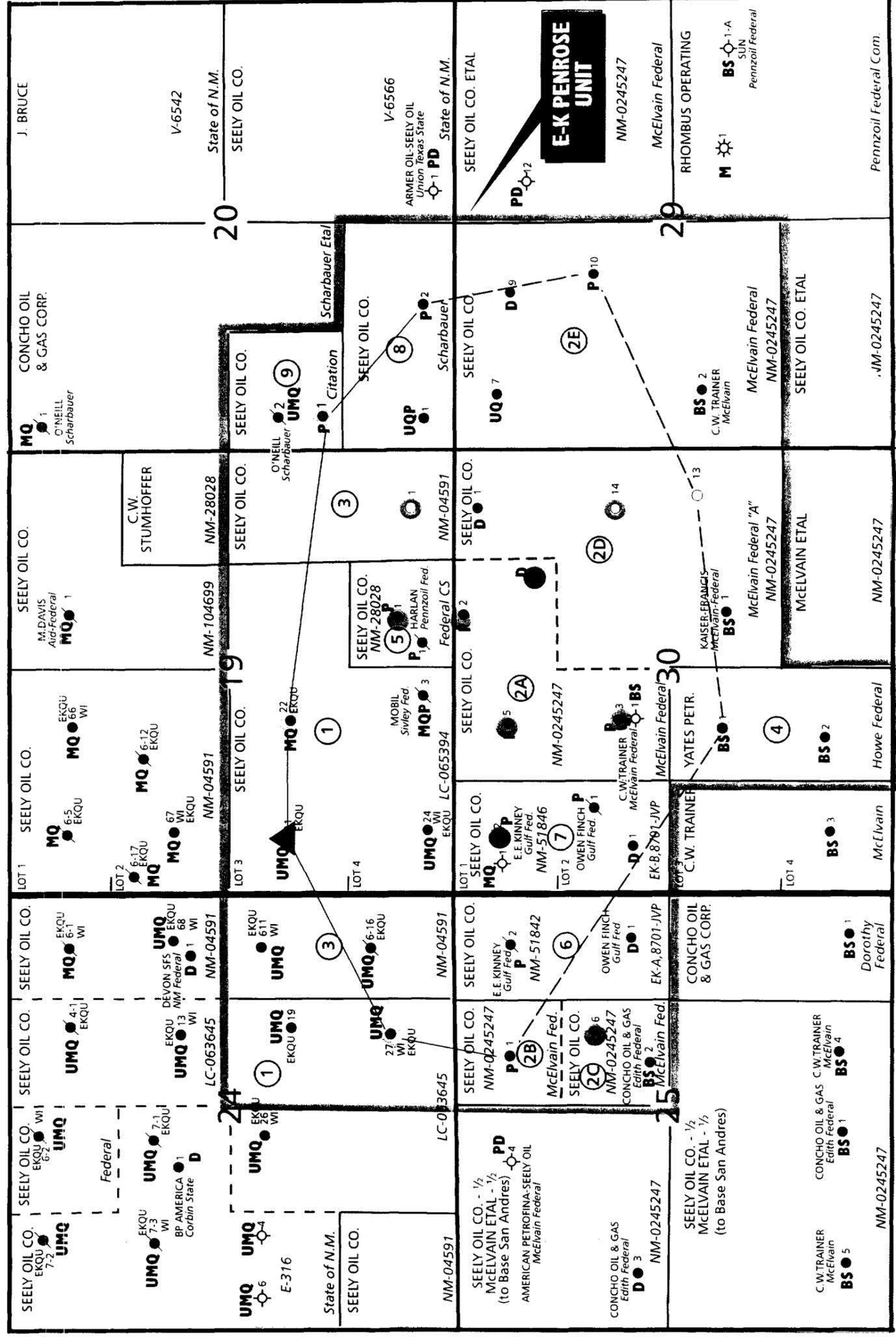
Seely Oil Company



David L. Henderson
Vice President

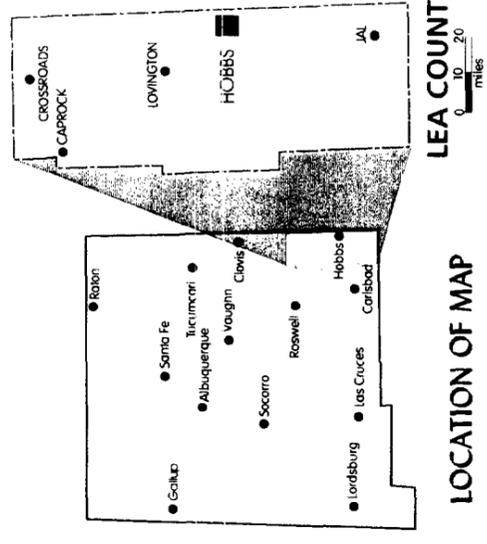
R 33 E

R 34 E



T 18 S

T 19 S



LOCATION OF MAP

LEA COUNTY

LEGEND

EK Penrose Sand Unit

- ▲ Wells to be Converted to W.I.
- ▲ Wells to be Deepened for W.I.
- △ Wells to be Drilled for W.I.
- Current Produce Producers
- Wells to be Re-entered for Production
- Wells to be Drilled
- Wells to be Plugged-Back for Production



EXHIBIT A

Seely Oil Company

E-K PENROSE SAND UNIT
Lea County, New Mexico

PLAN OF DEVELOPMENT

Latest Revision: 9-9-02

**Table II
Geologic and Completion Data**

Completion	Operator	Lease	Well #	Section	Unit	Loc Footage	TD	Datum	Top of		Perforations		Stimulation	IP	Current Status	
									Penrose Pay Subsea	Below Datum	Subsea	to ft				
Sep-57	Seely Oil Company	EK Queen Unit	22	19-18S-34E	k	1980 FSL & 1897 FWL	4703	3982	-696	4678	4686	-696	-704	Frac- 30k gal lease crude & 37.3k lbs sand	Flowed Gas @ 6mmcfpd	Active Queen Sand WIW
Feb-55	Seely Oil Company	EK Queen Unit	21	19-18S-34E	l	1980 FSL & 660 FWL	4473		NDE	4390	4445			Frac- 10k gal lease crude & 15k lbs sand		Producing
Dec-57	Seely Oil Company	EK Queen Unit	24	19-18S-34E	m	330 FSL & 762 FWL	4718	4710	-735	4429	4698	281	12		47 / ? / 0	Active Queen Sand WIW
Jan-56	Mobil Oil Corp.	T.J. Silvey Federal	3	19-18S-34E	n	2310 FWL & 343 FSL	4735	3956	752	4708	4718	-752	-762		115 / ? / 0	P & A
Jan-56	Hanson Oil	Penzoil Federal	1	19-18S-34E	o	330 FSL & 2310 FEL	4800	3960	-760	4723	4736	-763	-776	Acid- 1k gal, Frac- 20k gal KCl & 23k lbs sar	75 / ? / 0	P & A
Jul-81	Seely Oil Company	C. S. Federal	1	19-18S-34E	o	660 FSL & 1980 FEL	4784	3983	-733	4720	4730	-737	-747	Acid- 500 gal, Frac 40k gal & 42.5k lbs sand	30 / 18 / 0	Producing
Sep-99	Seely Oil Company	Scharbauer	1	20-18S-34E	m	330 FSL & FWL	4840	4014	-760	4777	4784	-763	-770	Acid- 1k gal 15%, Frac- 18k gal gelled KCl w/ 21k lbs sand	10 / 6 / 0	Producing
Feb-00	Seely Oil Company	Scharbauer	2	20-18S-34E	n	330 FSL & 1650 FWL	4820	3983	-759	4746	4764	-763	-781	Acid- 1k gal KCl & 18k lbs sand	15 / 40 / 1	Producing
Feb-57	Seely Oil Company	EK Queen Unit	19	24-18S-33E	j	1980 FSL & 1650 FEL	4650		-677	4625	4650(OH)			Acid- 500 gal, Frac- 10k gal & 10k lbs. sand & 10k lbs. sand	Didn't Recover Load	Producing
Jun-66	Seely Oil Company	EK Queen Unit	27	24-18S-33E	o	990 FSL & 1980 FEL	4657		-702	4628	4634			Acid- 500 gal. 15% NE	Flowed Gas @ 2mmcfpd	Active WIW
Jun-57	Chiles Drilling Co.	Gulf Federal	1	25-18S-33E	a	660 FNL & 660 FEL	4720	3929	-756	4687	4702	-758	-773		47 / ? / 0	P & A
Aug-55	Seely Oil Company	McElvain Federal	1	25-18S-33E	b	660 FNL & 1980 FEL	4657	3904	-733	4637	4657(OH)	-733	-753	Frac- 10k gal. & 10k lbs. sand	284 / ? / 0	Producing
	Seely Oil Company	McElvain Federal	4	25-18S-33E	c	660 FNL & 1980 FWL	5998		-729				0			P & A
Jan-91	Seely Oil Company	McElvain Federal	6	25-18S-33E	g	1650 FNL & 1650 FEL	4975	3898	-770	4673	4683	-775	-785	Acid- 1k gal NeFe, Frac- 20k gal gel & 40k lbs 20/40 sand	1 / 0 / 0	Producing
Dec-01	Seely Oil Company	McElvain Federal	10	29-18S-34E	e	1650 FNL & 1980 FWL	6050			4778	4785			1000 gal MCA, Frac- 18,000 gal KCL w/ 41,000 lbs. 16/30 sand		Producing
Nov-55	Seely Oil Company	McElvain Federal	2	30-18S-34E	b	5 FNL & 1980 FEL	5401	3966	-764	4732	4742	-766	-776	Frac- 6k gal refined oil w/ 9k lbs sand	211 / ? / 0	Producing
Jun-57	Seely Oil Company	McElvain Federal	5	30-18S-34E	c	660 FNL & 3300 FEL	4751	3949	-762	4716	4730	-767	-781	Acid- 1k gal Frac- 16.8k frac oil & 16k lbs sand	55 / ? / 0	Producing
Aug-57	Chiles Drilling Co.	Gulf Federal	2	30-18S-34E	d	560 FNL & 1618 FWL	4728	3936	-752	4690	4708	-754	-772	Acid- 500 gal Frac- 19.3k gal lease crude w/ 14k lbs sand	80 / ? / 0	P & A
Feb-58	Owen C. Finch	Gulf Federal	1	30-18S-34E	e	1650 FNL & 907 FWL	4732	3921	-770	4697	4709	-776	-788	Acid- unknown Frac- 20k gal lease crude & 17.5 k lbs sand	8 / ? / 0	P & A
Apr-56	Seely Oil Company	McElvain Federal	3	30-18S-34E	f	2310 FNL & 2290 FWL	4900	3910	-765	4670	4710	-760	-800	Frac- 10k gal & 15k lbs sand	22 / ? / 0	Producing
Apr-82	Yate Petroleum	Howe "TG" Federal	1	30-18S-34E	k	1980 FSL & 1830 FWL	10512		-786	9519	9541			Acid- 2k gal 15% Ne Acid Frac- 1k gal rog. Acid, 30k lbs sand		Producing
Jan-86	Yate Petroleum	Howe "TG" Federal	2	30-18S-34E	n	810 FSL & 1830 FWL	9714		-791	9495	9541			Acid- 3k gal. Frac- 60k gal KCl water,		Producing

SEELY OIL COMPANY

E-K PENROSE SAND UNIT

E-K YATES-SEVEN RIVERS-QUEEN FIELD
LEA COUNTY, NEW MEXICO

TYPE LOG SHOWING UNITIZED FORMATION COMPENSATED DENSITY LOG

C. W. STUMHOFFER FEDERAL CS No. 1
660' FSL & 1980' FEL
SECTION 19-T18S-R34E, NMPM

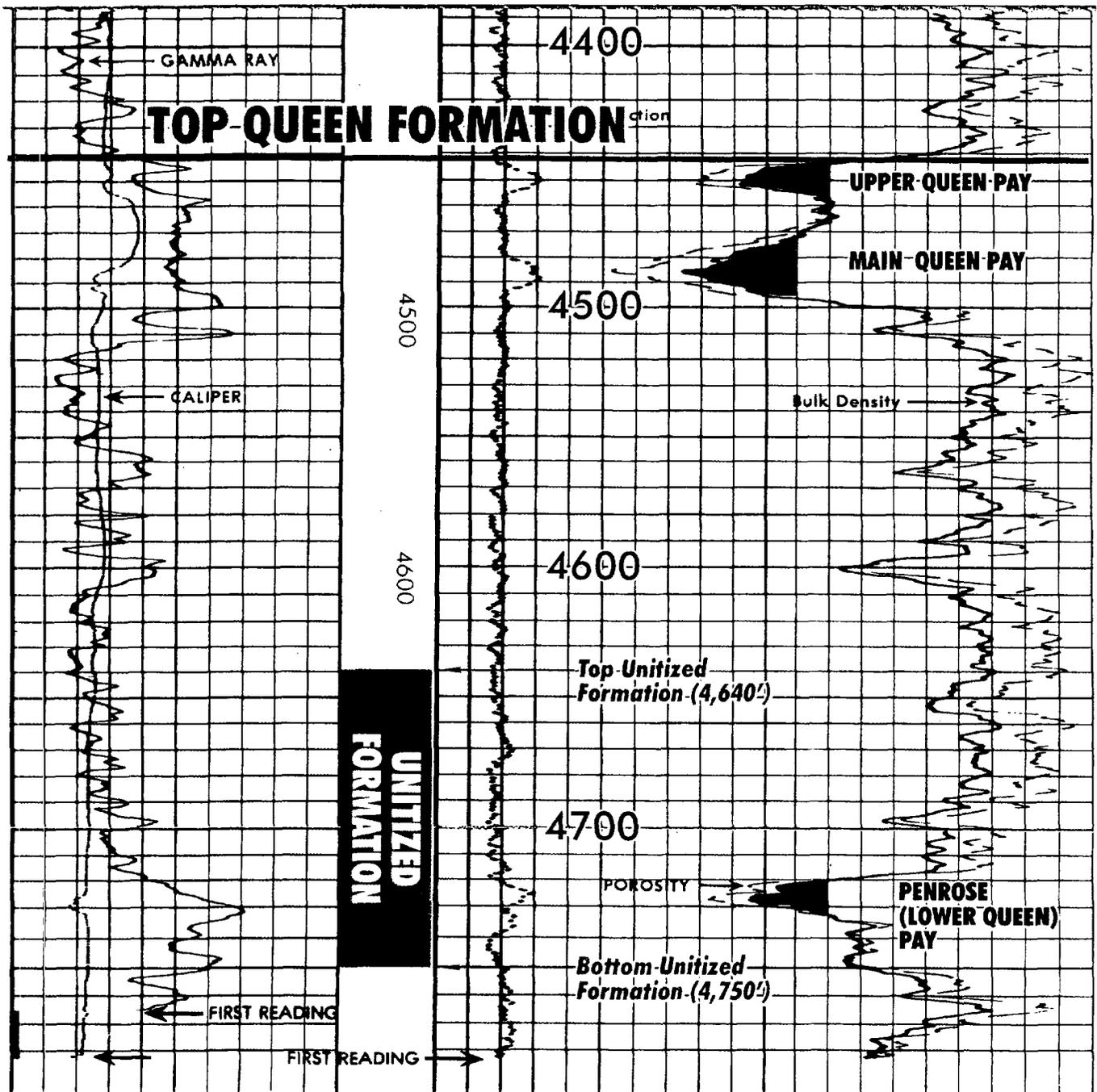


EXHIBIT B