



March 30, 2004

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APR 1 2004

Ms. Carol Leach, Acting Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: New Mexico Oil Conservation Division Case No. 12964: Application of Seely Oil Company for Approval of a Waterflood Project and Qualification of the Project for the Recovered Oil Tax Rate Pursuant to the "Enhanced Oil Recovery Act," Lea County, New Mexico.

Dear Ms. Leach:

By Order No. R-11929 entered in the above-referenced case on April 16, 2003, the Oil Conservation Division authorized Seely Oil Company to institute a waterflood project within its EK Penrose Sand Unit Area by the injection of water into the Penrose Sand member of the Queen formation, EK Yates-Seven Rivers-Queen Pool, through nine injection wells. Order paragraph (17) provides that the injection authority for each of the wells shown on Exhibit A to the order "shall terminate one year after the date of this order if the operator has not commenced injection operations into the well; provided, however, the Division, upon written request by the operator, may grant an extension for good cause shown." The purpose of this letter is to request a one year extension of the injection authority approved by order No. R-11929.

Since the Division approved the EK Penrose Sand Unit Waterflood Project in April 2003, Seely Oil Company has been attempting to deal with certain environmental problems at the EK-Queen Unit production facility located in Section 13, Township 18 south, Range 33 East, NMPM, Lea County, New Mexico. The water from this facility will be injected in the wells approved By Order No. R-11929 and the delays associated with this remediation have delayed the effort to implement the waterflood project at the EK Penrose Sand Unit Waterflood Project. On March 23, 2004, Seely has obtained a 45 day extension of time from the BLM to conduct these remediation activities and they are currently underway.



During the past year, Seely Oil Company has also been in negotiations with Concho Oil & Gas Corporation (now Chesapeake Operating, Inc.) concerning the completions in several deep wells where shallow zones have not been properly covered with cement.

While these matters have delayed the commencement of injection in the EK Penrose Sand Unit Waterflood Project, they have not changed Seely's plans to implement these waterflood operations. Seely Oil Company therefore requests that Division Order No. R-11292 that authorized water injection in the EK Penrose Sand Unit Waterflood Project be extended until April 16, 2005.

If you need additional information from Seely Oil Company concerning this request, please advise.

Very truly yours,

William F. Carr

cc: C. W. Stumhoffer
Seely Oil Company