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William F. Carr

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October 21, 2002

**HAND-DELIVERED**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

*Case 12963*

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RECEIVED

Re: Application of Seely oil Company for statutory unitization, Lea County, New Mexico.

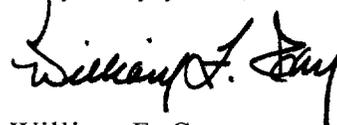
Application of Seely Oil Company for approval of a waterflood project and qualification of the project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed in triplicate is the application of Seely Oil Company for statutory unitization of the EK Penrose Sand Unit. Also enclosed are two copies of Oil Conservation Division Form C-108 that is Seely Oil Company's application for a waterflood project in the EK Penrose Sand Unit. Seely also seeks to this project for the Recovered Tax Rate pursuant to the Enhanced Oil Recovery Act. Drafts of legal advertisements for each application are also enclosed and have been submitted to the Division by E-mail.

Seely Oil Company requests that these applications be placed on the Division Examiner Hearing docket set for November 14, 2002.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. C. W. Stumhoffer

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
SEELY OIL COMPANY FOR STATUTORY  
UNITIZATION OF THE EK PENROSE SAND  
UNIT AREA, LEA COUNTY, NEW MEXICO.

CASE NO. 12963

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OCT 14 2013

APPLICATION

Seely Oil Company ("Seely"), pursuant to the provisions of the New Mexico Statutory Unitization Act (Sections 70-7-1 through 70-7-21, NMSA, 1978 Comp.) hereby applies to the Oil Conservation Division for an order unitizing the EK Penrose Sand Unit Area, Lea County, New Mexico, and in support of its application states:

1. Seely Oil Company is a corporation authorized to transact business in the State of New Mexico and is engaged in the business of, among other things, producing and selling oil and gas.

2. Seely seeks an order pursuant to the Statutory Unitization Act providing for unitized management, operation and further development of the proposed EK Penrose Sand Unit Area which consists of 1469.75 acres, more or less, of Federal and Fee lands located in Lea County, New Mexico, and is more particularly described as follows:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

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

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

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

A map of the proposed Unit Area is attached to this application as Exhibit A.

3. The vertical limits of the formation to be included within the proposed Unit Area is defined as the Penrose Queen Sand which exist in the interval from 4,640 feet to 4,750 feet on the Compensated Density Log of the C. W. Stumhoffer Federal "CS" Well No. 1 located 660 feet from the South line and 1980 feet from the East line of Section 19, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

4. The portions of the reservoirs involved in this application have been defined by development.

5. The type of operations to be conducted in this Unit initially include secondary recovery by means of waterflooding. At a later date, carbon dioxide flooding or other methods of secondary recovery may be conducted in the proposed unit.

6. Attached to this application as Exhibit "B" and incorporated herein is a copy of the proposed plan of unitization that Seely considers fair, reasonable and equitable.

7. Attached to this application as Exhibit "C" and incorporated herein is a copy of the proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid.

8. Seely further states:

a. Unitized management, operating and further development of the portion of the Penrose formation, EK Yates-Seven Rivers-Queen Pool, which is the subject of this application, is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the unitized portion of the pool.

b. Unitized methods of operation applied to this portion of the EK Yates-Seven Rivers-Queen Pool are feasible, will prevent waste and will result

with reasonable probability in the increased recovery of substantially more oil from the pool than would otherwise be recovered.

- c. The estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil recovered plus reasonable profit.
- d. Unitization and adoption of unitized methods of operation will benefit the working interest owners and the royalty owners of the oil and gas rights within this portion of the pool.
- e. Seely Oil Company, as operator, has made a good faith effort to secure voluntary unitization within the portion of the EK Yates-Seven Rivers-Queen Pool affected by this application.
- f. The participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable and equitable basis.

9. Seely requests that any order issued in this case include a non-consent penalty for risk to be charged against carried working interests within the unit area upon such terms and conditions to be determined by the Division as just and reasonable.

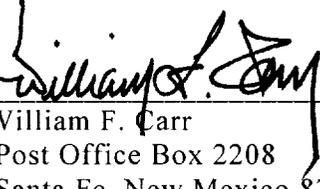
10. Statutory unitization of the EK Penrose Sand Unit Area, EK Yates-Seven Rivers-Queen Pool, is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Seely Oil Company respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on November 14, 2002, and, that after notice and hearing as required by law and the rules of the Division, the

Division enter its order granting this application statutorily unitizing the EK Penrose Sand Unit Area, Lea County, New Mexico.

Respectfully submitted,

HOLLAND & HART LLP

By:   
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William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208

ATTORNEYS FOR SEELY OIL COMPANY