DATE IN	4.30,12 SUSPENSE ENGINEER TW LOGGED IN 4.30,12 TYPE IPI APP NO.	1212150740
	ABOVE THIS LINE FOR DIVISION USE ONLY NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - 1220 South St. Francis Drive, Santa Fe, NM 87505	Seely 20497 EKPSU#122,
	ADMINISTRATIVE APPLICATION CHECKLIS	T 401,8023901
т	HIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RUN WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE	ES AND REGULATIONS
Applic	cation Acronyms: [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measu [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production	ommingling] irement] n]
[1]	TYPE OF APPLICATION - Check Those Which Apply for [A] [A] Location - Spacing Unit - Simultaneous Dedication [A] NSL NSP SD	30-025-02345 11 11 - 77759 11 11 - 74939 11 11 - 34880
	Check One Only for [B] or [C] [B] Commingling - Storage - Measurement DHC CTB PLC PC OLS OLM	
	[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery	12-11929
	[D] Other: Specify	·
[2]	NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not App [A] Working, Royalty or Overriding Royalty Interest Owners	ly
	[B] Offset Operators, Leaseholders or Surface Owner	(IN)
	[C] Application is One Which Requires Published Legal Notice	portific
	[D] Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office	Need Partit NJ' Need Jap The for d, and/or, 4700 4710
	[E] For all of the above, Proof of Notification or Publication is Attache	d, and/or, U70 VI
	[F] Waivers are Attached	-1
[3] [.]	SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PRO OF APPLICATION INDICATED ABOVE.	OCESS THE TYPE

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

Title

Date

e-mail Address

,

Warnell, Terry G, EMNRD

From:Melissa Appleby [mappleby@seelyoil.com]Sent:Wednesday, March 21, 2012 12:55 PMTo:Warnell, Terry G, EMNRDSubject:RE: IPI Application for EK Penrose Sand Unit Well #122, #401, #701, #
802 & #901

Terry,

Where can I get a WFX form? I've been all over the OCD website and can't find a form. Or is there a form?

Melissa

From: Warnell, Terry G, EMNRD [mailto:TerryG.Warnell@state.nm.us] Sent: Tuesday, March 20, 2012 5:04 PM To: Melissa Appleby Subject: RE: IPI Application for EK Penrose Sand Unit Well #122, #401, #701, #802 & #901

From: Melissa Appleby [mailto:mappleby@seelyoil.com] Sent: Tuesday, March 20, 2012 3:53 PM To: Warnell, Terry G, EMNRD Subject: RE: IPI Application for EK Penrose Sand Unit Well #122, #401, #701, #802 & #901

Hi Terry,

I apologize, but I should have included the API numbers with the information. The #122 well is API #30-025-02345, which used to be the EK Queen Unit #22 well. The #401 well is API # 30-025-27759, which used to be the Howe TG Federal #1 well. The #802 well is API # 30-025-24939, which used to be the Scharbauer #2 well. The #901 is API # 30-025-34880, which used to be the Citation #1 well. We will have to file a WFX for the #701.

I hope this information helps in regard to identifying the wells.

Melissa Appleby

Seely Oil Company 815 W. 10th St. Ft. Worth, TX 76102 817-332-1377 phone 817-332-1426 fax

5.25

SFT's dore oct 2011

This well need to be added #901 Nia WFX

From: Warnell, Terry G, EMNRD [<u>mailto:TerryG.Warnell@state.nm.us</u>] Sent: Tuesday, March 20, 2012 4:45 PM To: Melissa Appleby **Cc:** <u>dhenerson@seelyoil.com</u>; Ezeanyim, Richard, EMNRD **Subject:** IPI Application for EK Penrose Sand Unit Well #122, #401, #701, #802 & #901

Hi Melissa,

I just received a IPI application from David Henderson. The Water Flood Project was created with Hearing Order R-11929 Unfortunately that order did not include the 5 wells in your IPI Application

You will have to apply for a WFX for wells 122, 401, 701, 802 and 901 Normally a WFX is set at a .2 pressure gradient however in this case we will take into consideration you step rate test data

Please be aware that a standard paragraph in a WFX is:

The wells shall pass an initial mechanical integrity test ("MIT") prior to initially commencing injection and prior to resuming injection 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.

Terry Warnell Engineering, Oil Conservation Division 1220 South St. Francis Drive, Santa Fe, NM 87505 Tel 505.476.3466 ~ Fax 505.476.3462

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i	Form 3160-5 (August 2007) DE	UNITED STATES EPARTMENT OF THE INTI			FC ON Ex	DRM APPROVED AB No. 1004-0137 pires: July 31, 2010
	BU	REAU OF LAND MANAGE	EMENTE 23 2012	,	5. Lease Serial No. NMNM111801X	
	Do not use this	NOTICES AND REPORT form for proposals to di Use Form 3160-3 (APD)	rill or 👯 🚱 🖬 🕅 an		6. If Indian, Allottee or	Tribe Name
		IIT IN TRIPLICATE – Other instr	uctions on page 2.		7. If Unit of CA/Agreen EK Penrose Sand Ur	
	I. Type of Well	Well I Other All EKP	CLI Malla		8. Well Name and No.	
·	2. Name of Operator Seely Oil Company			<u> </u>	see below 9. API Well No. see below	
	3a. Address 815 W 10th St Ft. Worth, TX 76102	÷	Phone No. <i>(include area col</i> -332-1377	de)	10. Field and Pool or E EK-Yates-SR-Queer	
	4. Location of Well (Footage, Sec., 7			<u>,, ,,,,,</u> ,,,,	11. Country or Parish, S Lea County, NM	State
	12. CHE	CK THE APPROPRIATE BOX(ES) TO INDICATE NATURI	E OF NOTIO	CE, REPORT OR OTHE	R DATA
	TYPE OF SUBMISSION	1	TY	PE OF ACT	ION	
	Notice of Intent	Acidize	Deepen Fracture Treat		uction (Start/Resume) amation	Water Shut-Off Well Integrity
	Subsequent Report	Casıng Repair	New Construction	Reco	mplete	Other Approval for
	Final Abandonment Notice	Change Plans	Plug and Abandon Plug Back		poranly Abandon r Disposal	water disposal
	following completion of the invo	r disposal approval on the follow ests that the BLM-make the appro- EKPSU #70130-025-3 EKPSU #802 - 30-025-2 EKPSU #901 - 30-025-3 Total water produced by	sults in a multiple completion and only after all requirement ing wells. A copy of the 0 oval retroactive to the Jar 7572 - Weed Co 4939 - Ko 4880 - Ko POWs was 1898 bbls an	on or recomp ts, including DCD appro- nuary 9, 201 DCT Art Art () ad by injecti	letion in a new interval, reclamation, have been wed waterflood project 33 date on the Order of Machine was 33979 b	a Form 3160-4 must be filed once completed and the operator has Order of Division is also
	14. I hereby certify that the foregoing is	true and correct Name (Printed/Typ				22/20/2
	David L. Henderson		Title Executiv	ve Vice Pre	sident 4	292012
	Signature Nan 26	Venlason	Date 10/21/20	011 <u>,</u>		
		THIS SPACE FOR	R FEDERAL OR ST	ATE OF	FICE USE	-
	Approved by	······································				
	Conditions of approval, if any, are attach that the applicant holds legal or equitable entitle the applicant to conduct operation	e title to those rights in the subject lease is the point of a subject lease	e which would Office			Date
	fictitious or fraudulent statements or rep			nd willfully t	o make to any departmen	t or agency of the United States any false,
	(Instructions on page 2)					

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Exhibit "A"
Division Order No. R-11929
EK Penrose Sand Unit Waterflood Project
Approved Injection Wells

	Well Name & Number	API Number	Well Location	Injection Interval	Packer Depth
	EK Queen Unit No. 27	30-025-01636	990' FSL & 1980' FEL, Unit O, Section 24, T-18S, R-33E	4,628'-4,634'	4,575'
	McElvain Federal No. 1	30-025-01646	660' FNL & 1980' FEL. Unit B, Section 25, T-18S, R-33E	4,637'-4,657'	4,575
122	EK Queen Unit No. 22	30-025-02345	1980' FSL & 1897' FWL, Unit K, Section 19, T-18S, R-34E	4,678'-4,686'	4,600'
	EK Queen Unit No. 21	30-025-02344	1980' FSL & 660' FWL. Lot 3, Section 19, T-18S, R-34E	4,698'-4,710'	4625'
-	Citation No. 1	30-025-34880	1650' FSL & 330' FWL, Unit L, Section 20, T-18S, R-34E	4,814`-4,822`	4,675'
	Scharbauer No. 2	30-025-24939	330' FSL & 1650' FWL, Unit N, Section 20, T-18S, R-34E	4,746'-4,764'	4675'
- 1	Howe "TG" Federal No. 1	30-025-27759	1980' FSL & 1830' FWL, Unit K, Section 30, T-18S, R-34E	To Be Determined	4,675'
	McElvain Federal No. 13	N/A	2275' FSL & 330' FEL, Unit I. Section 30, T-18S, R-34E	To Be Determined	TBD
	McElvain Federal No. 10	30-025-35753	1650' FNL & 1980' FWL, Unit F, Section 29, T-18S, R-34E	4,778`-4,885`	4,700

missing #701 - will have to be done with WFX added

Need this depths

(B)

SEELY OIL COMPANY 815 WEST TENTH STREET FORT WORTH, TEXAS 76102

- 11930 unil

March 15, 2012

RECEIVED OCD 2012 MAR 19 A 10: 291

Jour by Order R-11924. State of New Mexico Energy, Minerals & Natural Resources **Oil Conservation Division** 1220 S. St. Francis Dr. Santa Fe, NM 87504

Federal 19 10.7 Federal 18.56 1.5. SIN EEY

Re:

06R10 0497)

Request for Administrative Authority Seely Oil Company, Unit Operator EK Penrose Sand Unit Well # 122 30-025-02345 EK Yates-Seven Rivers-Oueen Field Léa County, New Mexico

Gentlemen:

Enclosed please find a Step Rate Injection Test that was run in October 3, 2011 on the EK Penrose Sand Unit Well No. 122. The current pressure limitations are not sufficient to effectively conduct a successful waterflood in this unit.

Based upon the results of the Step Rate Injection Test, Seely Oil Company requests administrative approval of the New Mexico Oil Conservation Division (NMOCD) to increase the surface injection pressure to 2300 psig maximum. 2412

Your consideration and approval of this request at your earliest convenience is needed. Should you have any questions, contact us at 817-332-1377.

Melissa Appleby Melpleby@seelyoil.com woppleby@seelyoil.com Very truly yours, and Dendarso DLH/ma encl. WFX''_{3} 450007'' # 401 = 277594122* 30-025-0734547775975947775975947775975975947775975DLH/ma encl. NFX'S 3750

Warnell, Terry G, I			
From: Sent: To: Subject:	Melissa Appleby [mappleby@seelyoil.com] Wednesday, March 21, 2012 8:02 AM Warnell, Terry G, EMNRD RE: IPI Application for EK Penrose Sand Unit Well #122, #401, #701, # 802 & #901		
Do we still need a WFX	for these wells even though they were included in the Order R-11929?		
Sent: Tuesday, March To: Melissa Appleby	5, EMNRD [<u>mailto:TerryG.Warnell@state.nm.us]</u> 20, 2012 5:04 PM cation for EK Penrose Sand Unit Well #122, #401, #701, #802 & #901		
Okay, do you have a W IF so I'm going to need http://www.emnrd.sta	FX number for the 122, 401,802 & 901? a signed IPI administrative application checklist te.nm.us/OCD/documents/AdminApplicationChecklist20090826.DOC ms with perf depth and packer locations for these four wells		
Sent: Tuesday, March To: Warnell, Terry G, E			
Hi Terry,	HiTerry, The Cardinal "Total Date		
Federal #1 well. The #	d have included the API numbers with the information. The #122 well is API #30-025-02345, Charts' K Queen Unit #22 well. The #401 well is API # 30-025-27759, which used to be the Howe TG 302 well is API # 30-025-24939, which used to be the Scharbauer #2 well. The #901 is API # 30- to be the Citation #1 well. We will have to file a WFX for the #701.		
I hope this information			
Melissa Appleby Ad MINISTrative			
Seely Oil Company	a stration.		
815 W. 10 th St. Ft. Worth, TX 76102 817-332-1377 phone 817-332-1426 fax	helps in regard to identifying the wells. And a Signed Administrative Application Checklist		

From: Warnell, Terry G, EMNRD [mailto:TerryG.Warnell@state.nm.us] Sent: Tuesday, March 20, 2012 4:45 PM To: Melissa Appleby Cc: <u>dhenerson@seelyoil.com</u>; Ezeanyim, Richard, EMNRD Subject: IPI Application for EK Penrose Sand Unit Well #122, #401, #701, #802 & #901

Hi Melissa,

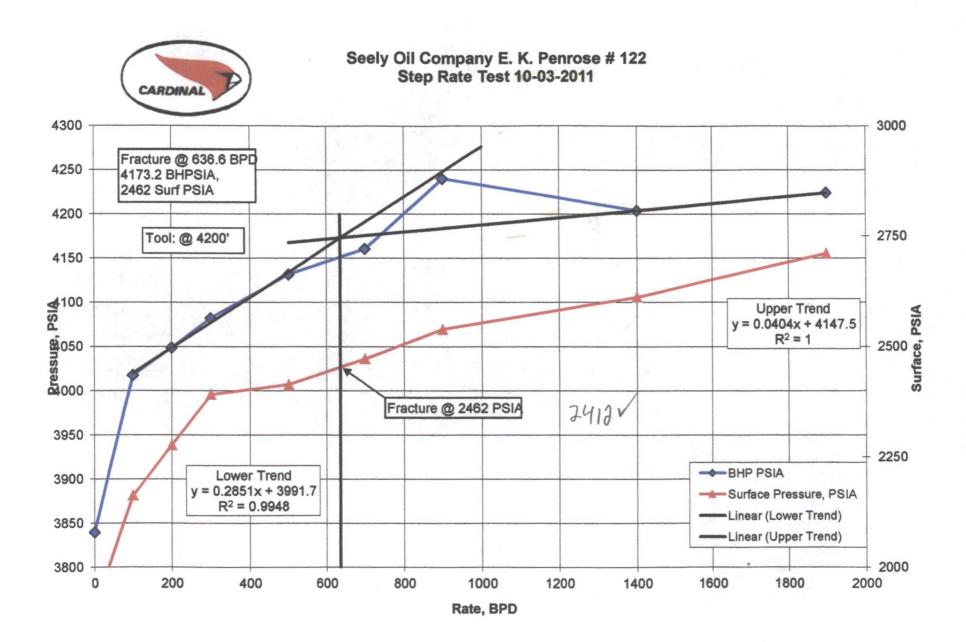
I just received a IPI application from David Henderson. The Water Flood Project was created with Hearing Order R-11929 Unfortunately that order did not include the 5 wells in your IPI Application

You will have to apply for a WFX for wells 122, 401, 701, 802 and 901 Normally a WFX is set at a .2 pressure gradient however in this case we will take into consideration you step rate test data

Please be aware that a standard paragraph in a WFX is:

The wells shall pass an initial mechanical integrity test ("MIT") prior to initially commencing injection and prior to resuming injection 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.

Terry Warnell Engineering, Oil Conservation Division 1220 South St. Francis Drive, Santa Fe, NM 87505 Tel 505.476.3466 ~ Fax 505.476.3462



SEELY OIL COMPANY

815 WEST TENTH STREET FORT WORTH, TEXAS 76102

March 15, 2012

RÉCEIVED ÓCD

State of New Mexico Energy, Minerals & Natural Resources Oil Conservation Division 1220 S. St. Francis Dr. Santa Fe, NM 87504

Re:

 Request for Administrative Authority Seely Oil Company, Unit Operator EK Penrose Sand Unit Well # 401 ~ 30 - 025 - 27759 EK Yates-Seven Rivers-Queen Field Lea County, New Mexico

Gentlemen:

Enclosed please find a Step Rate Injection Test that was run in October 5, 2011 on the EK Penrose Sand Unit Well No. 401. The current pressure limitations are not sufficient to effectively conduct a successful waterflood in this unit.

Based upon the results of the Step Rate Injection Test, Seely Oil Company requests administrative approval of the New Mexico Oil Conservation Division (NMOCD) to increase the surface injection pressure to 2400 psig maximum.

Your consideration and approval of this request at your earliest convenience is needed. Should you have any questions, contact us at 817-332-1377.

Very truly yours,

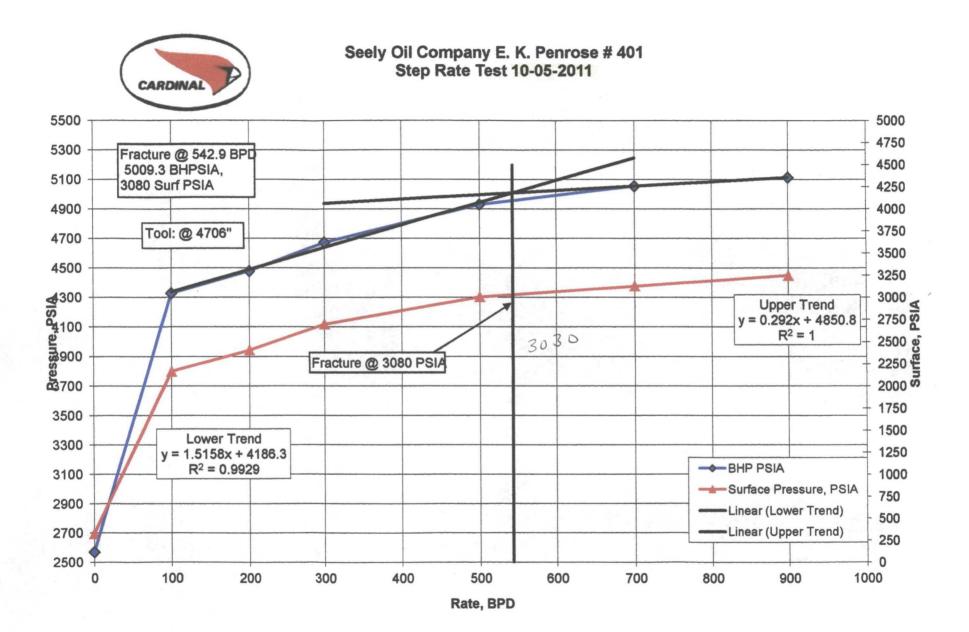
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David L. Henderson Executive Vice President

DLH/ma

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SEELY OIL COMPANY

815 WEST TENTH STREET FORT WORTH, TEXAS 76102

March 15, 2012

RECEIVED OCD

State of New Mexico Energy, Minerals & Natural Resources Oil Conservation Division 1220 S. St. Francis Dr. Santa Fe, NM 87504

Re:

 Request for Administrative Authority Seely Oil Company, Unit Operator EK Penrose Sand Unit Well # 802 - 30-025- 2 1939 EK Yates-Seven Rivers-Queen Field Lea County, New Mexico

Gentlemen:

Enclosed please find a Step Rate Injection Test that was run in October 7, 2011 on the EK Penrose Sand Unit Well No. 802. The current pressure limitations are not sufficient to effectively conduct a successful waterflood in this unit.

administrative approval of the New Mexico Oil Conservation Division (NMOCD) to increase the surface injection pressure to 2200 psig maximum.

Your consideration and approval of this request at your earliest convenience is needed. Should you have any questions, contact us at 817-332-1377.



Very truly yours,

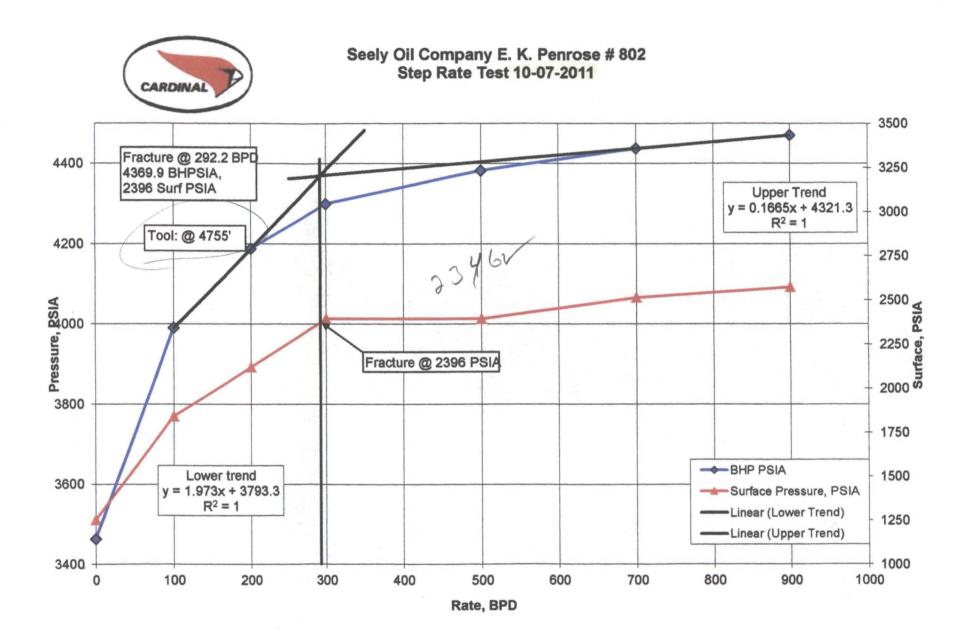
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David L. Henderson Executive Vice President

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的复数服装,使使的CBI的。我们在这些时候,并且选择的考虑了。这些人们也不是一个人们。

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SEELY OIL COMPANY 815 WEST TENTH STREET FORT WORTH, TEXAS 76102

March 15, 2012

RECEIVED OCD

State of New Mexico Energy, Minerals & Natural Resources Oil Conservation Division 1220 S. St. Francis Dr. Santa Fe, NM 87504

R-11929

Re: Request for Administrative Authority Seely Oil Company, Unit Operator EK Penrose Sand Unit Well # 901 30-025-34680 EK Yates-Seven Rivers-Queen Field Lea County, New Mexico

Gentlemen:

Enclosed please find a Step Rate Injection Test that was run in October 4, 2011 on the EK Penrose Sand Unit Well No. 901. The current pressure limitations are not sufficient to effectively conduct a successful waterflood in this unit.

Based upon the results of the Step Rate Injection Test, Seely Oil Company requests administrative approval of the New Mexico Oil Conservation Division (NMOCD) to increase the surface injection pressure to 2100 psig maximum.

Your consideration and approval of this request at your earliest convenience is needed. Should you have any questions, contact us at 817-332-1377.

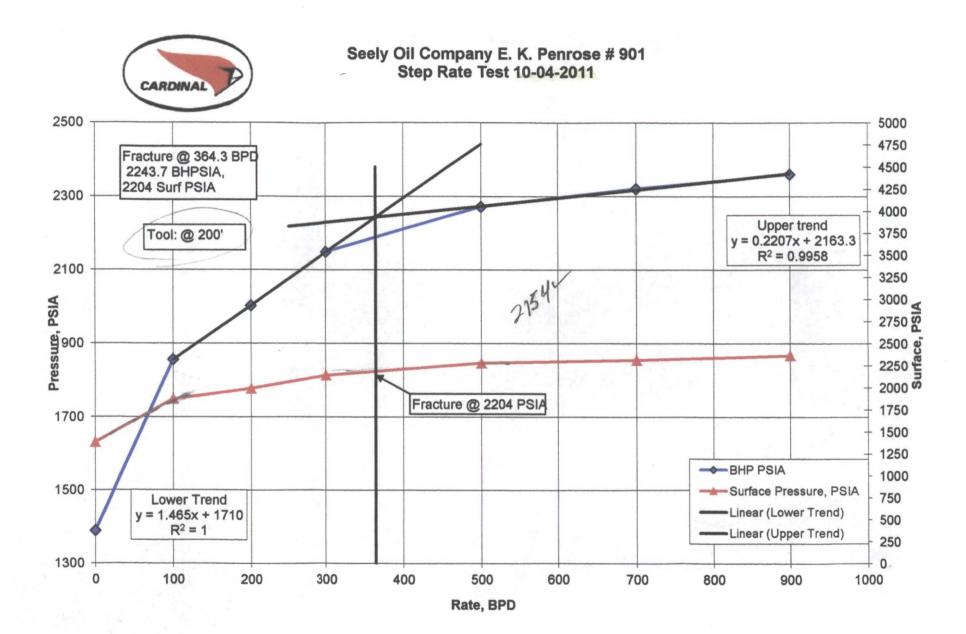


Very truly yours,

David L. Henderson Executive Vice President

DLH/ma

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	State of New Mexico	Form C-103
Office <u>District I</u>	Energy, Minerals and Natural Resources	June 19, 2008
1625 N. French Dr., Hobbs, NM 88240		WELL API NO.
District II 1301 W. Grand Ave. Artesia NM 882 MOR	BS COLD CONSERVATION DIVISION	30-025-02345
	1220 South St. Francis Dr.	5. Indicate Type of Lease
1000 Rio Brazos Rd., Aztec, NM 87410	0 7 2017 Santa Fe, NM 87505	STATE FEE FEDERAL 6. State Oil & Gas Lease No.
District IV 1220 S. St. Francis Dr., Santa Fe, NM	0 7 2012 Summer e, rate 01505	6. State Off & Gas Lease No.
SUNDRY NOTIC	ES AND REPORTS ON WELLS	7. Lease Name or Unit Agreement Name
	ESTO DRILL OR TO DEEPEN OR PLUG BACK TO A	
PROPOSALS.)	TION FOR PERMIT" (FORM C-101) FOR SUCH	EK Penrose Sand Unit
	as Well 🔲 Other Water Injection	8. Well Number 122
2. Name of Operator		9. OGRID Number
Seely Oil Company		20497
3. Address of Operator		10. Pool name or Wildcat
815 W. 10 th St. Ft. Worth, TX 76	102	EK-Yates-SR-Queen
4. Well Location		
	m the South line and 1887 feet from the West line	
	•	/
	- Range 34E NMPM Lea County, New Mexico 11. Elevation (Show whether DR, RKB, RT, GR, etc.	1 1945
	3955' DF	
	3935 DF	A STATE COMPANY AND A REAL PROPERTY AND A STATE
NOTICE OF INT PERFORM REMEDIAL WORK TEMPORARILY ABANDON PULL OR ALTER CASING DOWNHOLE COMMINGLE OTHER: 13. Describe proposed or comple	PLUG AND ABANDON	Injection Control Program Manual all be set within or less than 100 most injection perfs or open hole.
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SEELY OIL COMPANY 815 WEST TENTH STREET

FORT WORTH, TEXAS 76102

RECEIVED OCD

March 15, 2012

2012 MAR 19. A 10: 29

State of New Mexico Energy, Minerals & Natural Resources Oil Conservation Division 1220 S. St. Francis Dr. Santa Fe, NM 87504

Re:

Request for Administrative Authority Seely Oil Company, Unit Operator EK Penrose Sand Unit Well # 701 30-025-37572 EK Yates-Seven Rivers-Queen Field Lea County, New Mexico

Gentlemen:

Enclosed please find a Step Rate Injection Test that was run in October 6, 2011 on the EK Penrose Sand Unit Well No. 701. The current pressure limitations are not sufficient to effectively conduct a successful waterflood in this unit.

Bate 12 Based upon the results of the Step Rate Injection Test, Seely Oil Company requests administrative approval of the New Mexico Oil Conservation Division (NMOCD) to increase the surface injection pressure to 2000 psig maximum.

Your consideration and approval of this request at your earliest convenience is needed. Should you have any questions, contact us at 817-332-1377.

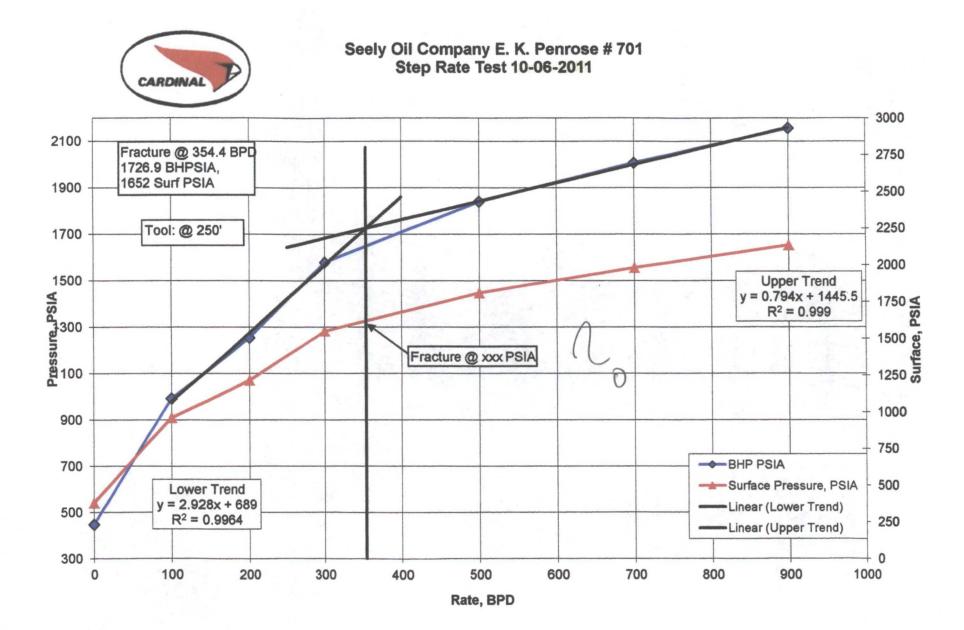
Very truly yours,

David L. Henderson Executive Vice President

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 12964 ORDER NO. R-11929

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.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 9, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this <u>16th</u> day of April, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Cases No. 12964 and 12983 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, Seely Oil Company ("Seely"), seeks authority to institute a waterflood project within its proposed EK Penrose Sand Unit Area ("Project Area"), being the subject of companion Case No. 12983, by the injection of water into the Penrose Sand member of the Queen formation, EK Yates-Seven Rivers-Queen Pool, through nine initial injection wells, all as shown on Exhibit "A" attached to this order.

(4) The EK Penrose Sand Unit Area comprises the following-described acreage in Lea County, New Mexico

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:
 W/2 SW/4, SE/4 SW/4

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

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

(5) The proposed project area encompasses a portion of the EK Yates-Seven Rivers-Queen Pool.

(6) Within the project area, the applicant proposes to utilize nine injection wells in a peripheral waterflood pattern. The applicant further proposes to initially utilize nine producing wells within the project. Among the nine proposed producing wells, five wells are current active producers, two wells will be re-entered or recompleted, and two wells will be drilled.

- (7) The wells within the project area are in an advanced state of depletion.
- (8) The applicant presented geologic evidence that demonstrates that:
 - (a) the Queen formation within the EK Yates-Seven Rivers-Queen Pool contains multiple pay intervals;
 - (b) the upper pay intervals within the Queen formation are generally being produced and waterflooded within the adjacent EK Queen Unit Area;
 - (c) the Penrose Sand member of the Queen formation is generally continuous throughout the project area; and,
 - (d) the productive limits of the Penrose Sand member of the Queen formation generally coincide with the boundaries of the EK Penrose Sand Unit Area.

(9) Seely estimates that initial capital costs to implement waterflood operations are approximately \$1.8 million dollars. Total capital costs are estimated to be approximately \$3.4 million dollars.

(10) Seely estimates that implementing waterflood operations within the project area should result in the recovery of an additional 460,000 barrels of oil that would otherwise not be recovered, thereby preventing waste.

(11) Approval of the proposed waterflood project should result in the recovery of additional hydrocarbons from the Queen formation within the project area which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(12) The following-described (3) wells within the "area of review" are not constructed adequately so as to preclude the movement of fluid from the proposed injection zone into other formations:

Operator & Well Name	API Number	Well Location
Yates Petrolcum Corporation Howe "TG" Federal No. 2	30-025-29038	810' FSL & 1830' FWL, Unit N, Section 30, T-18S, R-34E
C. W. Trainer McElvain Federal No. 3	30-025-28557	766' FSL & 731' FWL, Unit M, Section 30, T-18S, R-34E
Concho Oil & Gas Corp. Edith Federal No. 2	30-025-29120	2130' FNL & 1980' FEL Unit G, Section 25, T-18S, R-33E

(13) The aforesaid Edith Federal Well No. 2 is located within the "area of zeview" of Seely's McElvain Federal Well No. 1, a proposed injection well located in Unit B of Section 25, Township 18 South, Range 33 East, NMPM.

(14) The aforesaid Howe "TG" Federal Well No. 2 and the McElvain Federal Well No. 3 are located within the "area of review" of Seely's Howe "TG" Federal Well No. 1, a proposed injection well located in Unit K of Section 30, Township 18 South, Range 34 East, NMPM.

(15) Prior to commencing injection operations into the McElvain Federal Well No. 1, the applicant should be required to perform remedial cement operations on the Edith Federal Well No. 2 in order to effectively isolate the Penrose Sand member of the Queen formation within this well.

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Order No. R-11929	
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(16) Prior to commencing injection operations into the Howe "TG" Federal Well No. 1, the applicant should be required to perform remedial cement operations on the Howe "TG" Federal Well No. 2 and the McElvain Federal Well No. 3 in order to effectively isolate the Penrose Sand member of the Queen formation within these wells.

(17) Prior to commencing injection operations into each of the followingdescribed injection wells, the applicant should be required to perform the remedial operations specified in this paragraph with respect to such well in a manner approved by the supervisor of the Hobbs District Office of the Division:

EK Queen Unit No. 27:	Perforations from a depth of 4.370'- 4,397' shall be cement squeezed.
EK Queen Unit No. 22:	Perforations from a depth of 4.432'- 4,444' shall be cement squeezed.
EK Queen Unit No. 21:	Perforations from a depth of 4.390'- 4,445' shall be cement squeezed. A 4 1/2 inch liner shall be set from 4,350'-4,700' and cement circulated on this liner.
Citation No. 1:	Perforations from a depth of 4,573'- 4,590' shall be cement squeezed.
Scharbauer No. 2:	Perforations from a depth of 4,474'- 4,482' shall be cement squeezed.
<u>Howe "TG" Federal No. 1</u> :	Perforations from a depth of $9,519$ '- 9,541' shall be cement squeezed. The cement top on the existing 5 $\frac{1}{2}$ inch casing shall be raised from its existing depth of 5,800 feet to a depth of at least 500 feet above the proposed injection interval.
<u>McElvain Federal No. 10</u>	A cast iron bridge plug and cement on top shall be set at depths of 5,850 feet and 4,900 feet.

(18) The operator should 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 from injection, production, or plugged and abandoned wells.

(19) Injection should be accomplished through 2 3/8 inch internally plasticlined tubing installed in a packer set within 100 feet of the uppermost injection perforation in each well. The casing-tubing annulus should be filled with an inert fluid, and a gauge or approved leak-detection device should be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(20) The injections wells or pressurization system should be equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 926 psi.

(21) Prior to commencing injection operations, the casing in each well should be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing.

(22) The operator should give advance notice to the supervisor of the Division's Hobbs District Office of the date and time (i) injection equipment will be installed, (ii) the mechanical integrity pressure tests will be conducted on the proposed injection wells, and (iii) remedial work will be conducted on the proposed injection wells or any "area of review" wells so that these operations may be witnessed.

(23) The operator should immediately notify the supervisor of the Division's Hobbs District Office of the failure of the tubing, casing or packer in any of the injection wells or the leakage of water, oil or gas from or around any producing or plugged and abandoned well within the project area, and should take all steps as may be timely and necessary to correct such failure or leakage.

(24) The proposed waterflood project should be approved and the project should be governed by Division Rules No. 701 through 708.

(25) The applicant seeks to qualify the proposed waterflood project as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (NMSA 1978 Sections 7-29A-1 through 7-29A-5).

(26) The evidence presented demonstrates that the proposed waterflood project meets all the criteria for approval.

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Order No. R-11929
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(27) The approved project area should initially comprise the entire EK Penrose Sand Unit Area; provided, however, the "project area" and/or the producing wells eligible for the enhanced oil recovery (EOR) tax rate may be contracted and reduced based upon the evidence presented by the applicant in its demonstration of a positive production response.

(28) To be eligible for the EOR tax rate, the operator should advise the Division of the date and time water injection commences within the waterflood project. At that time, the Division will certify the project to the New Mexico Taxation and Revenue Department.

(29) At such time as a positive production response occurs, and within five years from the date the project was certified to the New Mexico Taxation and Revenue Department, the applicant must apply to the Division for certification of a positive production response. This application shall identify the area benefiting from enhanced oil recovery operations and the specific wells eligible for the EOR tax rate. The Division may review the application administratively or set it for hearing. Based upon the evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

(30) The injection authority granted herein for the wells shown on Exhibit "A" should terminate one year after the date of this order if the operator has not commenced injection operations into the wells; provided, however, the Division, upon written request by the operator, may grant an extension for good cause.

IT IS THEREFORE ORDERED THAT:

(1) Seely Oil Company is hereby authorized 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 initial injection wells, all as shown on Exhibit "A" attached to this order. The EK Penrose Sand Unit Area is 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:	W/2 SW/4, SE/4 SW/4
Section 29:	NW/4, N/2 SW/4
Section 30:	N/2, N/2 SE/4, E/2 SW/4

(2) 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 from injection, production, or plugged and abandoned wells.

(3) Injection shall be accomplished through 2 3/8 inch internally plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforation in each well. The casing-tubing annulus shall be filled with an inert fluid, and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(4) The injections wells or pressurization system shall be equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 926 psi.

(5) The Division Director may administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(6) Prior to commencing injection operations, the casing in each well shall be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing.

(7) Prior to commencing injection operations into the McElvain Federal Well No. 1, the applicant shall perform remedial cement operations on the Concho Oil & Gas Corporation Edith Federal Well No. 2 (API No. 30-025-29120) located 2130 feet from the North line and 1980 feet from the East line (Unit G) of Section 25, Township 18 South, Range 33 East, NMPM, in order to effectively isolate the Penrose Sand member of the Queen formation within this well.

(8) Prior to commencing injection operations into the Howe "TG" Federal Well No. 1, the applicant shall perform remedial cement operations on the Yates Petroleum Corporation Howe "TG" Federal Well No. 2 (API No. 30-025-29038) located 310 feet from the South line and 1830 feet from the West line (Unit N) of Section 30, Township 18 South, Range 34 East, NMPM, and the C. W. Trainer McElvain Federal

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Well No. 3 (API No. 30-025-28557) located 766 feet from the South line and 731 feet from the West line (Unit M) of Section 30, Township 18 South, Range 34 East, NMPM, in order to effectively isolate the Penrose Sand member of the Queen formation within these wells.

(9) Subsequent to completing the remedial work on the aforesaid Edith Federal Well No. 2, the Howe "TG" Federal Well No. 2 and the McElvain Federal Well No. 3, the applicant shall provide documentation to the Santa Fe and Hobbs offices of the Division that such work has been successfully completed.

(10) Prior to commencing injection operations into each of the followingcescribed injection wells, the applicant shall perform the remedial operations specified in this paragraph with respect to such well in a manner approved by the supervisor of the Hobbs District Office of the Division:

EK Queen Unit No. 27	Perforations from a depth of 4,370'- 4,397' shall be cement squeezed.
EK Queen Unit No. 22:	Perforations from a depth of 4,432'- 4,444' shall be cement squeezed.
EK Queen Unit No. 21:	Perforations from a depth of $4,390'$ - 4,445' shall be cement squeezed. A $4 \frac{1}{2}$ inch liner shall be set from 4,350'- $4,700'$ and cement circulated on this liner.
Citation No. 1:	Perforations from a depth of 4,573'- 4,5902-shall-be-cement.squeezed.
Scharbauer No. 2:	Perforations from a depth of 4.474'- 4,482' shall be cement squeezed.
Howe "TG" Federal No. 1:	Perforations from a depth of 9.519° - 9,541' shall be cement squeezed. The cement top on the existing 5 $\frac{1}{2}$ inch casing shall be raised from its existing depth of 5,800 feet to a depth of at least 500 feet above the proposed injection interval.

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<u>McElvain Federal No. 10</u> A cast iron bridge plug and cement on top shall be set at depths of 5,850 feet and 4,900 feet.

(11) The operator shall give advance notice to the supervisor of the Division's Hobbs District Office of the date and time (i) injection equipment will be installed (ii) the mechanical integrity pressure tests will be conducted on the proposed injection wells, and (iii) remedial work will be conducted on the proposed injection wells and "area of review" wells so these operations may be witnessed.

(12) The operator shall immediately notify the supervisor of the Division's Hobbs District Office of the failure of the tubing, casing or packer in any of the injection wells, or the leakage of water, oil or gas from or around any producing or plugged and abandoned well within the project area, and shall take all steps as may be timely and necessary to correct such failure or leakage.

(13) The waterflood project is hereby designated the EK Penrose Sand Unit Waterflood Project, and the applicant shall conduct injection operations in accordance with Division Rules No. 701 through 708, and shall submit monthly progress reports in accordance with Division Rules No. 706 and 1115.

(14) The EK Penrose Sand Unit Waterflood Project is hereby certified as an "Enhanced Oil Recovery Project." The project area shall initially comprise the entire EK Penrose Sand Unit Area; provided, however, the "project area" and/or the producing wells eligible for the enhanced oil recovery (EOR) tax rate may be contracted and reduced based upon the evidence presented by the applicant in its demonstration of a positive production response.

(15) To be eligible for the EOR tax rate, the operator shall advise the Division of the date and time water injection commences within the waterflood project. At that time, the Division will certify the project to the New Mexico Taxation and Revenue Department.

(16) At such time as a positive production response occurs, and within five years from the date the project was certified to the New Mexico Taxation and Revenue Department, the applicant must apply to the Division for certification of a positive production response. This application shall identify the area benefiting from enhanced oil recovery operations and the specific wells eligible for the EOR tax rate. The Division may review the application administratively or set it for hearing. Based upon the evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

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(17) The injection authority granted herein for each of the wells shown on Exhibit "A" 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.

(18) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO OIL CONSERVATION DIVISION benj £.a.c. ψ

LORI WROTENBERY Director

Monday, April 02, 2012

Well Selection Criteria Quick Print

(Field_No = 25743)

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API Well #	Well Name and No.		Operator Name	Тур	Stat	County	Surf	UL	Sec	Twp	Rng	Ft N/S	Ft E/W	UICPrmt	Lst Insp Dt
30-015-25741-00-00	EAST SHUGART DELAWARE	001	SM ENERGY COMPANY	0	А	Eddy	F	0	13	18 S	31 E	430 S	1650 E		12/20/2011
30-015-25741-00-00	EAST SHUGART DELAWARE	001	SM ENERGY COMPANY	0	А	Eddy	F	0	13	18 S	31 E	430 S	1650 E		12/20/2011
30-015-25847-00-00	EAST SHUGART DELAWARE	002	SM ENERGY COMPANY	0	A	Eddy	F	Ρ	13	18 S	31 E	330 S	330 E		12/20/2011
30-025-29695-00-00	EAST SHUGART DELAWARE	003	SM ENERGY COMPANY	0	А	Lea	F	М	18	18 S	32 E	330 S	330 W		12/30/2008
30-025-29978-00-00	EAST SHUGART DELAWARE	008	SM ENERGY COMPANY	0	А	Lea	F	С	19	18 S	32 E	660 N	1650 W		7/28/2003
30-025-37368-00-00	EAST SHUGART DELAWARE	018	SM ENERGY COMPANY	I	А	Lea	F .	D	19	18 S	32 E	200 N	1025 W		8/24/2011
30-025-29887-00-00	EAST SHUGART DELAWARE	007	SM ENERGY COMPANY	0	А	Lea	F	D	19	18 S	32 E	760 N	330 W		7/28/2003
30-025-37418-00-00	EAST SHUGART DELAWARE	024	SM ENERGY COMPANY	I	А	Lea	F	E	19	18 S	32 E 1	2125 N	1100 W		8/24/2011
30-025-37036-00-00	EAST SHUGART DELAWARE	021	SM ENERGY COMPANY	1	А	Lea	F	E	19	18 S	32 E	1425 N	1000 W	R-11254	8/24/2011
30-025-29940-00-00	EAST SHUGART DELAWARE	011	SM ENERGY COMPANY	0	Α	Lea	F	E	19	18 S	32 E	1700 N	330 W		7/28/2003
30-025-29939-00-00	EAST SHUGART DELAWARE	012	SM ENERGY COMPANY	0	А	Lea	F	F	19	18 S	32 E	1650 N	1650 W		7/28/2003
30-025-30111-00-00	EAST SHUGART DELAWARE	016	SM ENERGY COMPANY	0	А	Lea	F	к	19	18 S	32 E	2310 S	1650 W		7/28/2003
30-025-30187-00-00	EAST SHUGART DELAWARE	015	SM ENERGY COMPANY	0	А	Lea	F	L	19	18 S	32 E	2310 S	660 W		7/28/2003
30-015-31350-00-00	EAST SHUGART DELAWARE	020	SM ENERGY COMPANY		А	Eddy	F	A	24	18 S	31 67	1240 N	300 E		5/19/2011
30-015-31350-00-00	EAST SHUGART DELAWARE	020	SM ENERGY COMPANY	1	А	Eddy	F	A	24	18 S	31 E	1240 N	300 E		5/19/2011
30-015-25385-00-00	EAST SHUGART DELAWARE	006	SM ENERGY COMPANY	0	А	Eddy	F	А	24	18 S	31 E	890 N	990 E		12/21/2011
30-015-34212-00-00	EAST SHUGART DELAWARE	025	SM ENERGY COMPANY	I	А	Eddy	F	A	24	18 S	31 E	250 N	1125 E	WFX-814-	11/28/2011
- 30-015-33841-00-00	EAST SHUGART DELAWARE	017	SM ENERGY COMPANY	1	А	Eddy	F	A	24	18 S	31 E	475 N	50 E	R-11254	5/19/2011
30-015-26022-00-00	EAST SHUGART DELAWARE	005	SM ENERGY COMPANY	0	А	Eddy	F	В	24	18 S	31 E	790 N	1650 E		12/21/2011
30-015-25546-00-00	EAST SHUGART DELAWARE	004	SM ENERGY COMPANY	0	А	Eddy	F	В	24	18 S	31 E	765 N	1980 E		12/21/2011
30-015-25652-00-00	EAST SHUGART DELAWARE	014	SM ENERGY COMPANY	0	А	Eddy	F	Е	24	18 S	31 E	2310 S	990 E		12/21/2011
30-015-25723-00-00	EAST SHUGART DELAWARE	009	SM ENERGY COMPANY	0	A	Eddy	F	G	24	18 S	31 E	1730 N	1650 E		12/21/2011
30-015-33842-00-00	EAST SHUGART DELAWARE	019	SM ENERGY COMPANY	1	А	Eddy	F	G	24	18 S	31 E	1430 N	1425 E	R-11254	5/19/2011
30-015-34292-00-00	EAST SHUGART DELAWARE	022	SM ENERGY COMPANY	1	А	Eddy	F	G	24	18 S	31 E -	2550 N	1360 E		5/19/2011
	EAST SHUGART DELAWARE	010	SM ENERGY COMPANY	0	А	Eddy	F	н	24	18 S	31 E	1650 N	990 E		12/21/2011
30-015-33843-00-00	EAST SHUGART DELAWARE	023	SM ENERGY COMPANY	. I.	А	Eddy	F	H	24	18 S	31 E	2325 N	275 E	R-11254	5/19/2011
30-015-25734-00-00	EAST SHUGART DELAWARE	013	SM ENERGY COMPANY	0	А	Eddy	F	J	24	18 S	31 E	2310 S	1650 E		12/21/2011

1122100 c-108 Pert. Tyre 4729 432 349 4729



Exhibit "A" Division Order No. R-11254 East Shugart Delaware Unit Waterflood Project **Approved Injection Wells**

	Well Name & Well Location		Injection	Packer Setting	Tbg.	Maximum Surface
	Number		Interval	Depth	Size	Injection Pressure
		430' FSL & 1650' FEL (Unit O)				
	ESDU No. 1	Section 13, T-18S, R-31E	5,090'-5,420'	5,000'	2 3/8"	1,003 PSIG
- 07841		248' FNL & 302' FEL (Unit A)				
15-33841	ESDU No17	Section 24, T-18S, R-31E	5,030'-5,310'	5,000'	2 3/8"	1,003 PSIG
10		190' FNL & 1045' FWL (Unit D)				
25- 37368	ESDU No. 18	Section 19, T-18S, R-32E	5,065'-5,320'	5,000'	2 3/8"	1,003 PSIG
		1288' FNL & 1361' FEL (Unit B)				
15-33842 31350	ESDU No. 19	Section 24, T-18S, R-31E	5,020'-5,310'	5,000'	<u>2 3/8"</u>	1,003 PSIG
13		1250' FNL & 303' FEL (UnitA)				
3/30	ESDU No. 20	Section 24, T-18S, R-31E	5,020'-5,310'	5,000'	2 3/8"	1,003 PSIG
		1193' FNL & 1018' FWL (Unit D)				
37036	ESDU No. 21	Section 19, T-18S, R-32E	5,015'-5,330'	5,000'	2 3/8"	1,003 PSIG
		2330' FNL & 1320 FEL	i			
34292	ESDU No. 22	Section 24, T-18S, R-31E	5,030'-5,340'	5,000'	2 3/8"	1,003 PSIG
- ·		2322' FNL & 248' FEL (Unit H)				
33843	ESDU No. 23	Section 24, T-18S, R-31E	5,025'-5,345'	5,000'	2 3/8"	1,003 PSIG
		2322' FNL & 1073' FWL (Unit E)		}		
37418	ESDU No. 24	Section 19, T-18S, R-32E	5,030'-5,360'	5,000'	2 3/8"	1,003 PSIG

WFFX-814 34212 ESPU25

5030-5310 1005