



April 14, 2006

2006 APR 14 AM 10 35

VIA HAND DELIVERY

Mr. Mark Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 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 Mr. Fesmire:

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 Division granted an extension of this order through April 16, 2006. 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 remediation at the site delayed Seely's efforts to implement the waterflood project at the EK Penrose Sand Unit Waterflood Project pursuant to Order No. R-11929. These remediation activities were completed in mid 2004 and the remediation and the EK Penrose Sand Unit were approved by the Bureau of Land Management in 2005.

HOLLAND & HART^{LLP}



While these matters have delayed the implementation of injection in the EK Penrose Sand Unit Waterflood Project, they have not changed Seely's plans for full implementation of the approved waterflood operations.

Seely is injecting water into its EK-Penrose Sand Unit Well Nos. 122 and 802. EK-Penrose Sand Unit Well 127 is scheduled to be re-completed in the Penrose formation in the next 30 days. The EK-Penrose Sand Unit Well Nos. 401 and 701 are drilled and re-completed in Penrose and are waiting on injection lines.

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, 2007.

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

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

cc: Mr. David Henderson
Seely Oil Company
Mr. Clarence Stumhoffer