

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Seely Oil Company

3a. Address

815 W. 10th Ft. Worth, TX 76102

3b. Phone No (include area code)

817/332-1377

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1980' FSL & 660' FWL, Sec.19 -T18S-R34E

Unit L

5. Lease Serial No.

NM-116168

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

E-K: Queen Tract 2, Well #021old

8. Well Name and No.

Sivley Federal "19" Well #1 new

9. API Well No.

30-025-02398

10. Field and Pool, or Exploratory Area

E-K; Delaware

11. County or Parish, State

Lea

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|--|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input checked="" type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Seely Oil Company is proposing to re-enter and deepen an existing well in the E-K; Queen Unit. The current well name is the E-K Queen Tract 2, Well No. 021 and the new name will be the Sivley Federal "19", Well No. 1, which was the original name before the unitization. The current well is producing in the Queen at a total depth of 4361' and will be deepened to 6,000' to the Delaware, which will not be a unit well. The drilling information is on the Application for Drilling and the Surface Use Plan attached.

SUBJECT TO LIKE
APPROVAL BY STATE

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

RECEIVED

JUL 24 2008

HOBBS OCD

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

George R. Smith

Title Agent for Seely Oil Company

Signature

George R. Smith

Date May 21, 2008

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

Chris Williams

Name
(Printed/Typed)

Office

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on next page)

APPROVED

JUL 22 2008

WESLEY W. INGRAM

PETROLEUM & ENERGY

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised August 15, 2000

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

| | | |
|--|---|--|
| ¹ API Number 30-025-02344 | ² Pool Code 21655 | ³ Pool Name EK; Delaware |
| ⁴ Property Code 25981 37290 | ⁵ Property Name Sivley Federal "19" | ⁶ Well Number 1 |
| ⁷ OGRID No. 20497 | ⁸ Operator Name Seely Oil Company | ⁹ Elevation |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 1. | 19 | 18S | 34E | 3 | 1980 | South | 660 | West | Lea |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 40 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | | |
|-------------------|--|--|--|--|
| ¹⁶ | | | | ¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature David L. Henderson Printed Name Executive Vice President Title 08/04/2008 Date |
| | | | | ¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. |
| | | | | Date of Survey Signature and Seal of Professional Surveyor: |
| | | | | Certificate Number |

APPLICATION FOR DRILLING
SEELY OIL COMPANY
Sivley Federal "19", Well No. 1
1980' FSL & 660' FWL, Sec. 19-T18S-R34E
Lea County, New Mexico
Lease No.: NMNM-116168
(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill (Deepen) subject well, Seely Oil Company submits the following items of pertinent information in accordance with BLM requirements:

- The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
- The estimated tops of geologic markers are as follows:

| | | | |
|--------------|---------|----------|---------------------------|
| Rustler | 1,692' | 7-Rivers | 3,670' |
| Top of Salt | 1,850' | Queen | 4,417' |
| Base of Salt | 3,,025' | Penrose | 4,697' |
| Yates | 3,187' | T.D. | 4,900' 6000 |

San Andres 7985'
Delaware 5430'

- The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water in the Triassic between 50' - 230'.
Oil: Possible in the Queen below 4,417', Delaware
Gas: None expected.

4. Proposed New Casing Program:

| HOLE SIZE | CASING SIZE | WEIGHT | GRADE | JOINT | SETTING DEPTH | COLLAPSE DESIGN FACTOR | BURST DESIGN FACTOR | TENSION DESIGN FACTOR |
|------------------------------------|-------------|--------|-------|-------|---------------|------------------------|---------------------|-----------------------|
| 12 1/4" | 8 5/8" | 24.0# | J-55 | 8 Rnd | 1,744' | Existing in | hole with | 50 sx cmt |
| 7 7/8" | 7" | 20.0# | J-55 | 8 Rnd | 4,361' | " | " | 100 sx cm |
| NEW | CASING: | | | | | | | |
| <i>6 1/4"</i> 6 3/4" | 4 1/2" | 11.6# | J-55 | LT&C | 6,000' | 1.67 | 1.80 | 2.64 |

5. Cement Program

| CASING | SETTING DEPTH | QUANTITY OF CEMENT | YIELD |
|--------|---------------|---|------------------|
| 8 5/8" | 1,744' | Casing existing in hole and cemented with 50 sacks | N/A |
| 7" | 4,361' | Casing existing in hole and cemented with 100 sacks | N/A |
| 4.5" | 6,000' | 225 sx 50/50 Posmix + add. TOC approximately 3,300' | 1.25 |
| | | | |
| | | | |

6. Proposed Control Equipment: See Exhibit "E":

BOP Program:

A 10" 3000 psi wp Cameron Space Saver, double ram BOP, will be installed on the 8 5/8" casing and used as a 2000 psi wp system. Casing and BOP will be tested as described in Onshore Order No. 2 before drilling out with ~~7 7/8"~~. The pipe rams will be operated and checked daily, plus each time drill pipe is out of hole. This will be documented on driller's log. See Exhibit "E".

7. Mud Program

| MUD PROGRAM | | MUD WEIGHT | VIS. | W/L CONTROL |
|--------------|-----------------|------------|------|----------------------|
| DEPTH | MUD | | | |
| 0 – 5500' | Fresh water mud | 9.5 ppg | 34 | No W/L control |
| 5500'-.6000' | Fresh water mud | 9.5 ppg | 34 | W/L control 10cc +/- |
| | | | | |
| | | | | |
| | | | | |

8. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock,.

9. Testing, Logging, and Coring Program:

Drill Stem Tests: None unless warranted.

Logging: T.D. to 4361': G/R-Density Neutron, Dual Induction Log

4361' to surface: G/R, Neutron

Coring: None planned unless warranted.

10. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, the proposed mud program will be modified to increase the mud weight. Estimated (evac) BHP=3120, surface pressure = 1800 psi (part. evac. hole) with BH temperature of 120°.

11. H₂S: None expected. None in previously drilled wells, but the Mud Log Unit will be cautioned to use a gas trap to detect H₂S and if any is detected the mud weight will be increased along with H₂S inhibitors sufficient to control the gas.

12. Anticipated starting date: June 9, 2008.

Anticipated completion of drilling operations: Approx. 4 – 6 wks

MULTI POINT SURFACE USE AND OPERATIONS PLAN

SEELY OIL CO.

Sivley Federal "19", Well No. 1

Current well name: E-K; Queen Tract 2, Well No. 021

1980 FSL & 660' FWL, Sec. 19-T18S-R34E

Lea County, New Mexico

Lease No.: NM-116168

(Development Well)

This plan is submitted with the Application for Permit to Drill (re-enter and deepen) the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, to be followed in rehabilitating the surface environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a USGS/BLM Topo map showing the location of the proposed well as staked. The well site location is approximately 52 road miles southeast of Artesia, New Mexico or 30 road miles northwest of Hobbs, NM. Traveling east from Artesia there will be approximately 50 miles of paved highway and 2 miles of gravel oilfield road.
- B. Directions: Travel east from Artesia, NM on U.S. Highway 82 for approximately 34 miles; turn southeast on NM Highway 529 for approximately 16.8 miles. Turn south .8 mile east of MM 16 at a cattle guard onto an oil field road with Oryx and Baber signs. Continue south for 1.15 miles to a "Y" in the road; take left hand road for .2 mile to a cattle guard. Turn southwest on an oilfield road for .1 mile to a well site with a pump jack. This is the location and well to be re-entered.

2. PLANNED ACCESS ROAD:

- A. Length and Width: There will be no new access road required. The existing access road is color coded red on Exhibit "A".
- B. Construction: The existing access road will be repaired as needed by grading and topping with compacted caliche and will be properly drained.
- C. Turnouts: None required.
- D. Culverts: None required.
- E. Cuts and Fills: None required.
- F. Gates, Cattle guards: No cattle guard will be required.
- G. Off Lease R/W: None required.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two-mile radius are shown on Exhibit "C".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;

- A. There are oil production facilities on the lease at this time. The existing pump jack and electric power pole will be moved. A fence 25' west of the well will be moved to enlarge new well site.
- B. If the well proves to be commercial, the necessary production facilities, gas production-process equipment and tank battery will be installed on the drilling pad. There is an existing flow line that will be used for a water line back to the injection pumping station.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing access roads or by surface fast line.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for repairing and surfacing the existing access road and well site pad will be obtained on location, if available, or from a Federal pit in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 18-T18S-R34E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in a closed mud system to be hauled to a disposal site.
- B. Drilling fluids will be trucked away to a disposal site.
- C. No pits will need to be fenced.
- D. Water produced during operations will be collected in tanks and then by pipeline to the pumping station for the injection wells.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components.
- B. Mat Size: 240' X 175', plus 100' X 64' working area for the closed mud system on the northwest or north depending on least disturbance to the fence and the best road access.
- C. Cut & Fill: There will be small cuts and fills to enlarge the old well site with any excess fill to the southwest.
- D. The surface will be topped with compacted caliche and there will no reserve pits.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not required for operations will be removed. The location will be cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible
- B. There will be no unguarded pits containing fluids.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. There are no pits to be filled and leveled.

11. OTHER INFORMATION:

- A. Topography: The proposed well site and access road is located in the Querecho Plains on the southwest slope of the Mescalero Ridge (Caprock). The location has a southwesterly slope of 1.8% from an elevation of 3968'.
- B. Soil: The topsoil at the well site is a light brown, non-calcareous fine sandy loam of the Pyote and Maljamar fine sands soils series.
- C. Flora and Fauna: The vegetation cover is a poor to fair grass cover of three-awn, bluestem, sand and spike dropseed, fluff grass, and other miscellaneous native grasses along with plants of mesquite, yucca, shinnery oak brush, sage, broomweed, cacti and miscellaneous weeds and wildflowers. The wildlife consists of antelope, rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in area.
- E. Residences and Other Structures: There are no structures other than oilfield tanks, pump jacks and other oilfield equipment.
- F. Land Use: Cattle grazing.
- G. Surface Ownership: The proposed well site and access road are on Federal surface.
- H. There is no evidence of archaeological, historical or cultural sites on the well site. There are some isolated finds near the outer parts of the 600'X 600' but the well pad area will not be impacted. Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202 are conducting an archaeological survey and their report will be submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

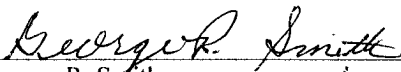
David Henderson
SEELY OIL CO.
815 W. 10th St.
Ft. Worth, TX 76102
Office Phone: (817) 332-1377

SEELY OIL CO.
Sivley Federal "19", Well No. 1

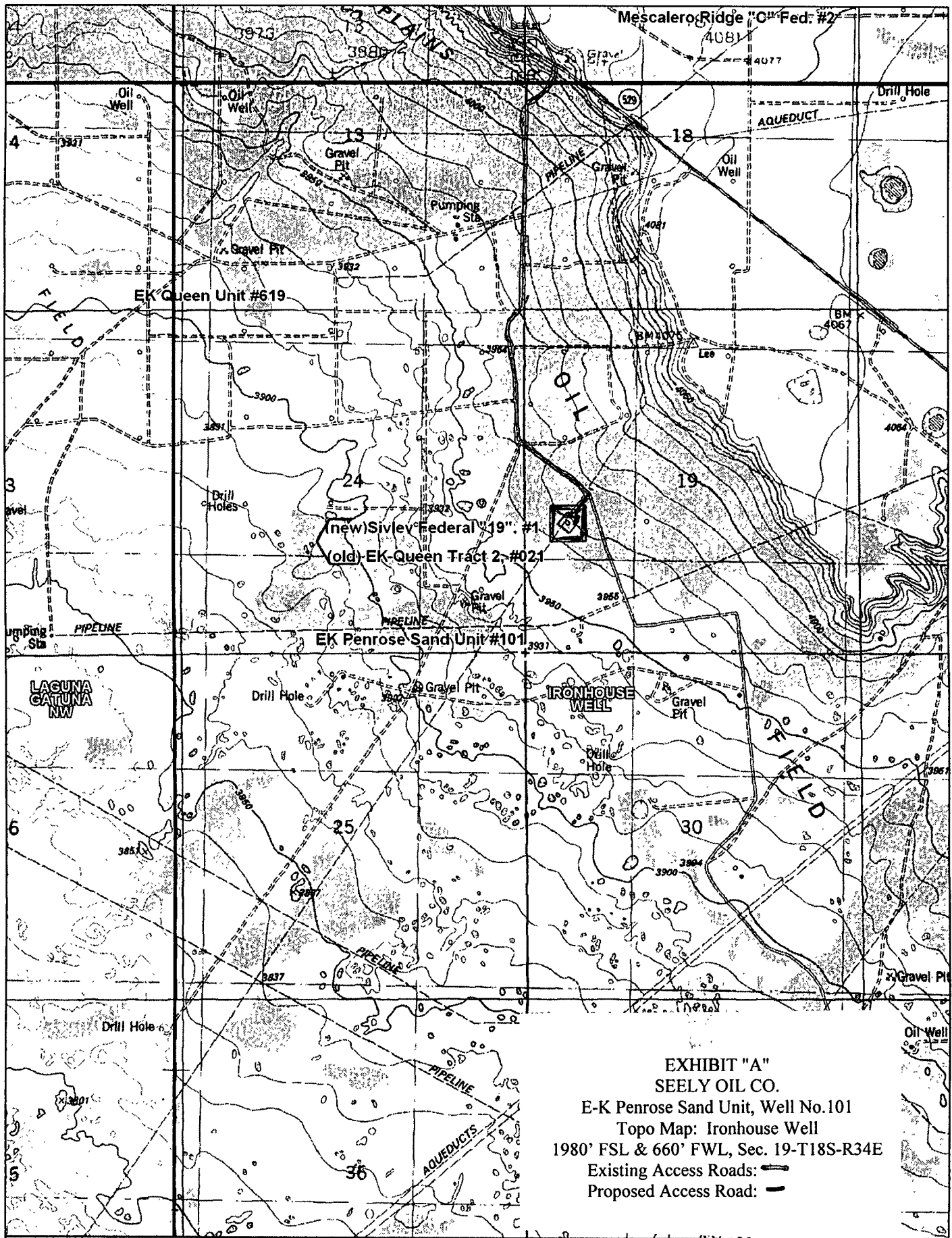
CERTIFICATION:

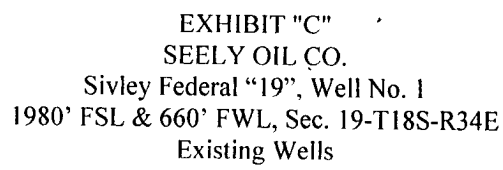
I hereby certify that I have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Seely Oil Co. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

May 19, 2008



George R. Smith
Agent for: Seely Oil Co.





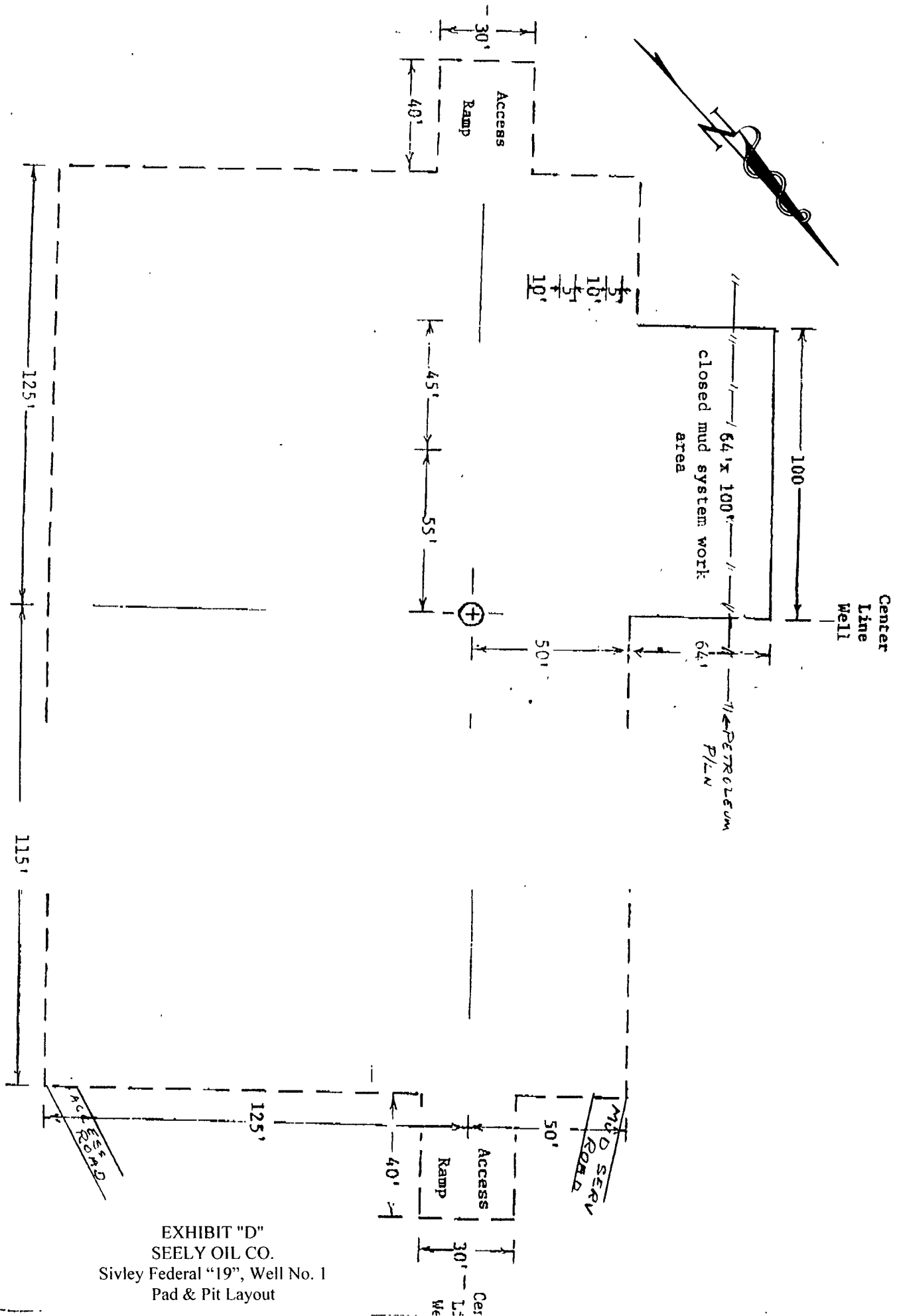


EXHIBIT "D"
SEELY OIL CO.
Sivley Federal "19", Well No. 1
Pad & Pit Layout

UNITED DRILLING
LOCATION FLA
RIG 489
Scale: 1"=40'

3000 psi System

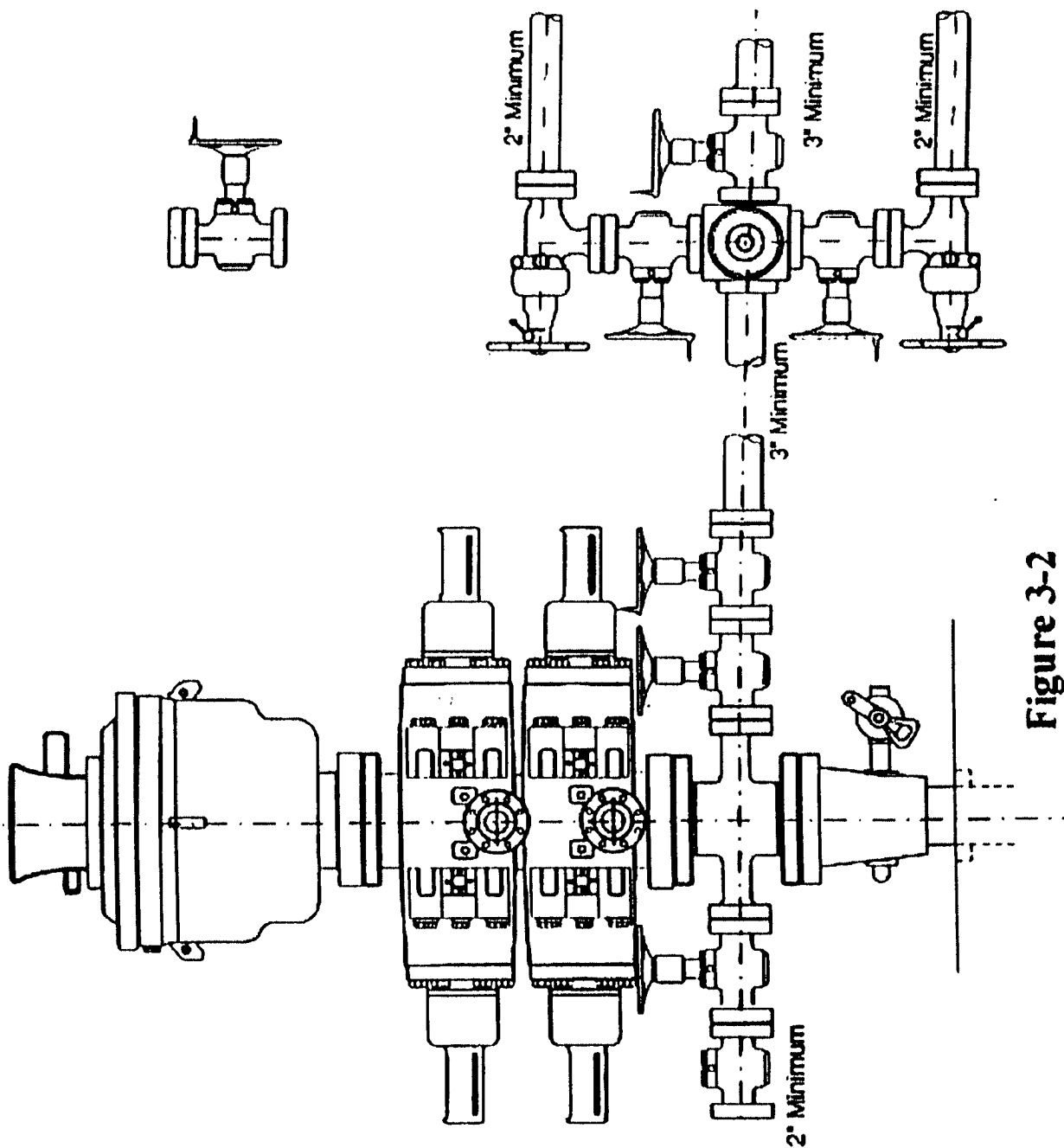


Figure 3-2