

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

| | | | |
|---|--|---|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NM-0245247 | |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name | |
| 2. Name of Operator Seely Oil Company | | 7. If Unit or CA Agreement, Name and No. | |
| 3a. Address 815 W. 10th St. F. Worth, TX 76102 | | 8. Lease Name and Well No. McElvain Federal, Well No. 9 | |
| 3b. Phone No. (include area code) 817/332-1377 | | 9. API Well No. 30-025-35655 | |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FNL & 1830' FWL At proposed prod. zone same | | 10. Field and Pool, or Exploratory EK Queen Delaware | |
| 14. Distance in miles and direction from nearest town or post office* 30 miles to Hobbs, NM | | 11. Sec., T., R., M., or Blk. and Survey or Area Sec. 29-T18S-R34E | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660' | 16. No. of Acres in lease 1751.44 | 17. Spacing Unit dedicated to this well 40 | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1305' | 19. Proposed Depth 6,200' | 20. BLM/BIA Bond No. on file MM-1816 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3973' GL | 22. Approximate date work will start* September 1, 2001 | 23. Estimated duration 3 weeks | |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

| | | |
|---|---|------------------|
| 25. Signature <i>George R. Smith</i> | Name (Printed Typed) George R. Smith | Date 07/06/01 |
|---|---|------------------|

| | | |
|--|--|---------------------|
| Agent for Seely Oil Company Approved by (Signature) /S/ JOE G. LARA | Name (Printed Typed) /S/ JOE G. LARA | Date AUG 08 2001 |
|--|--|---------------------|

| | |
|--------------------------------------|--|
| Title ACTING FIELD MANAGER | Office CARLSBAD FIELD OFFICE |
|--------------------------------------|--|

Application approval 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.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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.

*(Instructions on reverse)

Lease Responsibility Statement: Seely Oil Company accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof.

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

George R. Smith, agent

OPER. LOGID NO. 20497
PROPERTY NO. 24612
POOL CODE 21655
EFF. DATE 8-10-01
API NO 30-025-35655

RECEIVED

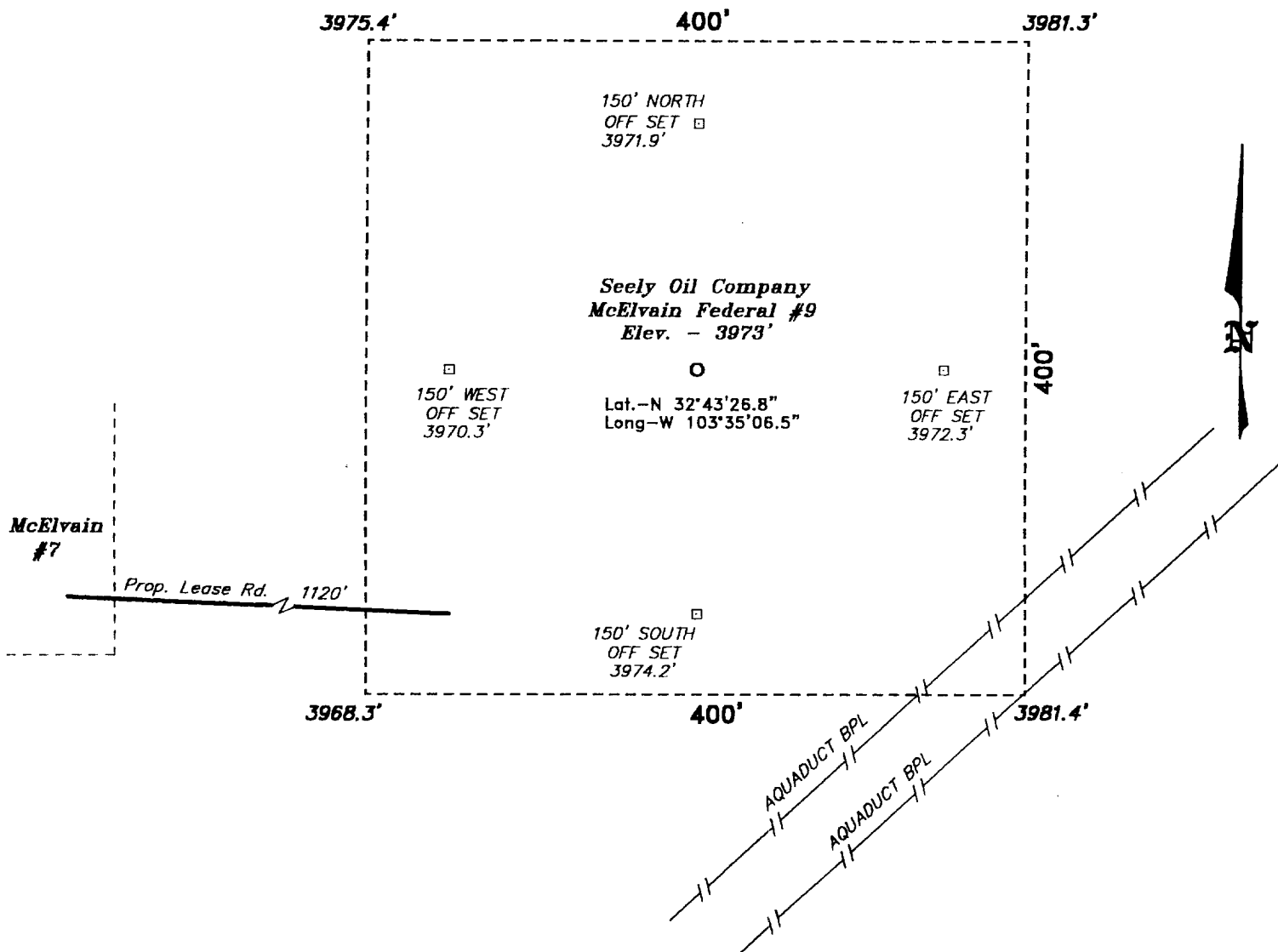
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BUREAU OF LAND MGMT.
ROSWEIL OFFICE

121 JOE G. LAHN

121 JOE

**SECTION 29, TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.**



Directions to Location:

FROM THE JUNCTION OF US HWY 82 AND STATE HWY 529, GO EASTERLY ON 529 FOR 16.9 MILES TO A LEASE ROAD RT.; THENCE FOLLOW LEASE ROAD WINDING SOUTHERLY FOR 1.1 MILE TO A 5 WAY INTERSECTION; THENCE TAKE MAIN LEASE ROAD SOUTHEAST AND SOUTHERLY FOR 1.1 MILE TO A LEASE ROAD LEFT; THENCE TAKE LEASE ROAD EAST FOR 0.2 MILE TO McELVAIN #1 AND CONTINUE EAST ANOTHER 0.2 MILE TO McELVAIN #7 AND PROPOSED LEASE ROAD FROM THE SOUTHEAST CORNER OF PAD WHICH LIES 1120 FEET FROM THE THE PROPOSED WELL LOCATION.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 1613 Drawn By: **K. GOAD**

Date: 06-24-2001 Disk: KJG CD#3 -- 1613B.DWG

Seely Oil Company

REF: McElvain Fed. No. 9 / Well Pad Topo

THE McELVAIN FEDERAL No. 9 LOCATED 660' FROM
THE NORTH LINE AND 1830' FROM THE WEST LINE OF
SECTION 29, TOWNSHIP 18 SOUTH, RANGE 34 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 06-21-2001 Sheet 1 of 1 Sheets

APPLICATION FOR DRILLING
SEELY OIL COMPANY.
McElvain Federal, Well No. 9
660' FNL & 1830' FWL, Sec. 29-T18S-R34E
Lea County, New Mexico
Lease No.: NM-0245247
(Development Well)

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

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

| | | | |
|--------------|--------|------------|--------|
| Rustler | 1,680' | San Andres | 5,100' |
| Base of Salt | 3,000' | Delaware | 5,600' |
| Queen | 4,450' | T.D | 6,200' |
| Penrose | 4,750' | | |

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

Water: Surface water in the Triassic between 80' - 230'.
Oil: Possible in the Queen below 4,450', Penrose below 4,750' and the Delaware below 5,600'.
Gas: None expected.

4. Proposed Casing Program:

| HOLE SIZE | CASING SIZE | WEIGHT | GRADE | JOINT | SETTING DEPTH | QUANTITY OF CEMENT |
|-----------|-------------|--------|-------|-------|---------------|-----------------------------------|
| 11" | 8 5/8" | 24.0# | J-55 | ST&C | 1,700' | Circ. 580 sx "C" |
| 7 7/8" | 5 1/2" | 17.0# | J-55 | ST&C | 6,200' | 300 sx +/- of HL, + 675 sx Pozmix |

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

BOP Program:

A 10" 3000 psi wp Shaffer, Type E, 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" to a maximum of 1400 psi wp, which is the maximum expected surface pressure.

6. Mud Program:

| | | MUD WEIGHT | VIS. | W/L CONTROL |
|----------------|----------------------|------------|------|----------------------|
| 0' - 1700': | Fresh water mud | 9.3 ppg | 33 | No W/L control |
| 1700' - 4100': | Brine mud: | 10.0 ppg | 32 | No W/L control |
| 4100' - 6200': | Cut Brine mud w/gel: | 8.8 ppg | 32 | W/L control 15 cc+/- |

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

8. Testing, Logging, and Coring Program:

Drill Stem Tests: None unless warranted.

Logging: T.D. to 1700': G/R-Density Neutron, Dual Induction Log
1700' to surface: G/R, Neutron

Coring: None planned unless warranted in the Queen.

Seely Oil Company

McElvain Federal, Well No. 9

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9. 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 surface pressure = 1364 psi (evac. hole) with BH temperature of 122°.
10. H₂S: None expected. None in previously drilled wells.
11. Anticipated starting date: September 1, 2001.
Anticipated completion of drilling operations: Approx. 3 weeks.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

SEELY OIL CO.

McElvain Federal, Well No. 9
660' FNL & 1830' FWL, Sec. 30-T18S-R34E
Lea County, New Mexico
Lease No.: NM-0245247
(Development Well)

This plan is submitted with the Application for Permit to Drill 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 53 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 3.1 mile 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 and southeast for 2.4 miles on oilfield road past a Seely tank battery on the west side of the road. Turn east to the McElvain Fed. "A" #1 well site then east to the McElvain Federal, Well No. 7 well site. The start of the proposed access road is on the southeast corner of the well pad and will run east for 1120 feet to the southwest corner of the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The access road will be constructed to a width of 12 feet and will be approximately 1120 feet in length. The proposed access road is color coded red on Exhibit "A".
- B. Construction: The proposed access road will be constructed by grading and topping with compacted caliche and will be properly drained.
- C. Turnouts: One turnout at the midpoint may be required, increasing the width to 20 feet for passing.
- D. Culverts: None required. Two low water crossings will be used.
- E. Cuts and Fills: Some cuts of 2-4 foot sand dunes.
- F. Gates, Cattle guards: None 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.
- B. If the well proves to be commercial, the necessary production facilities, gas production-process equipment, tank battery will be installed on the drilling pad. or a 2", 125 psi PVC surface flow line will run parallel to the existing access roads back to a tank battery on the McElvain Fed. "A", Well No 1 in the NE¼NE¼ Sec 30-T18S-R34E. A 2' plastic SDR 11, 250/psi surface flow line for produced water will also be run parallel to the road and back to the above well. A power line will also be run parallel to the proposed access road.

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 surfacing the proposed access road and well site pad will be obtained on location, if available, or from an approved private pit in the SW¼SW¼ of Section 20-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 the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock and wildlife from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- 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: 170' X 260', plus 100' X 100' reserve pits. The pits will be on the north.
- C. Cut & Fill: A leveling of 2 – 4 foot sand dunes and basins will be required plus a 1 –2 foot cut on the east will fill to the west.
- D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

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. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- 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. All pits will be filled and leveled as soon as they are dry enough to work after abandonment.

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 1.5 - 2% from an elevation of 3973'.
- B. Soil: The topsoil at the well site is a yellowish brown fine sandy loam of the Pyote Soil and Dune Land Soils Series.
- C. Flora and Fauna: The vegetation cover is a 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: The Ken Smith ranch house is approximately 2000 feet to the north of the well location.
- F. Land Use: Cattle grazing.

11. OTHER INFORMATION: cont.....

- G. Surface Ownership: The proposed well site and access road are on Federal surface.
- H. There is may be some evidence of archaeological, historical or cultural sites at the start of the proposed road near the southeast corner of the McElvain Fed. #7 well site. 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:

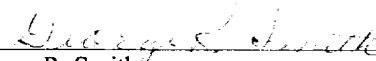
- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

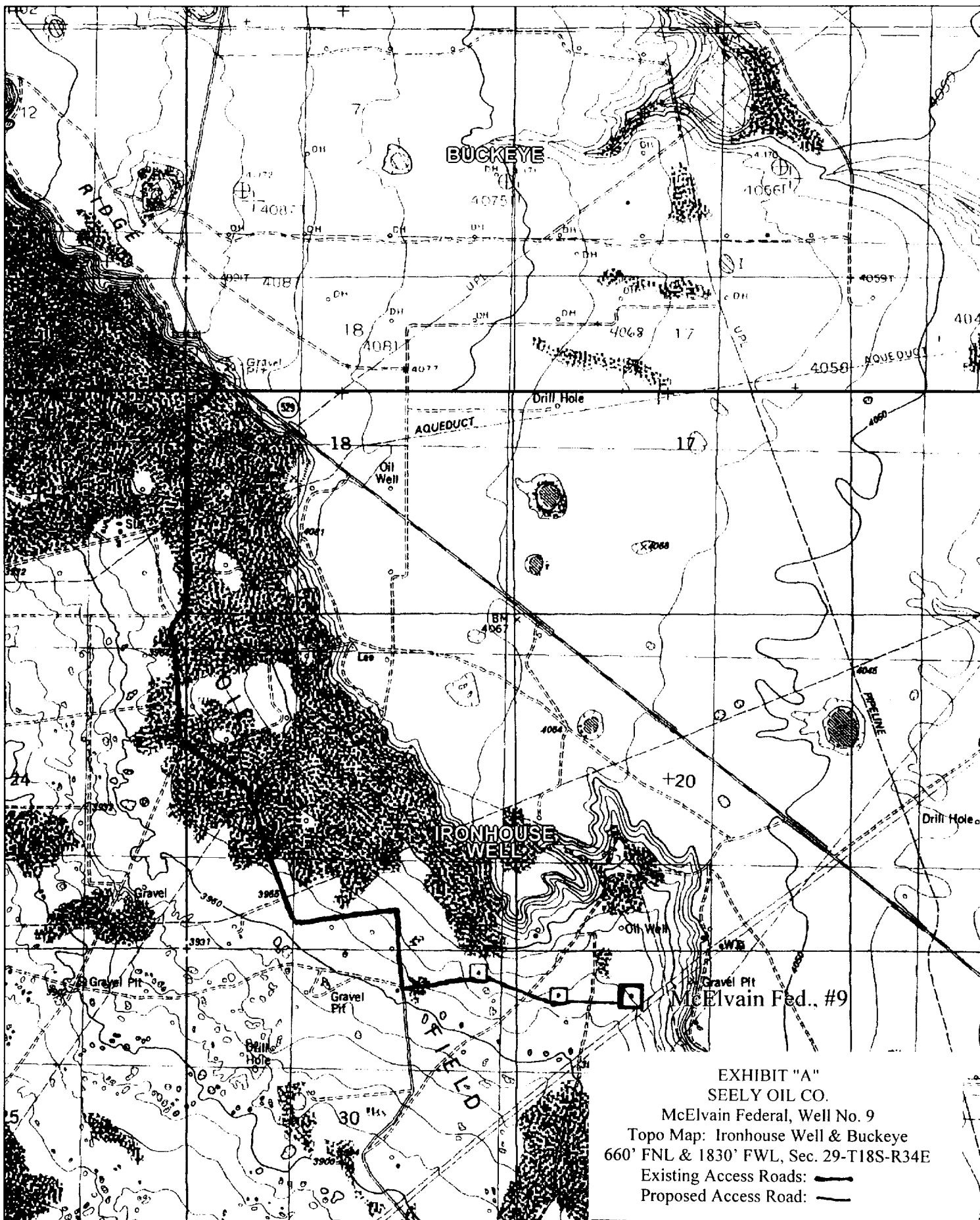
David Henderson
SEELY OIL CO.
815 W. 10th St.
Ft. Worth, TX 76102
Office Phone: (817) 332-1377

13. 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.

July 6, 2001


George R. Smith
Agent for: Seely Oil Co.





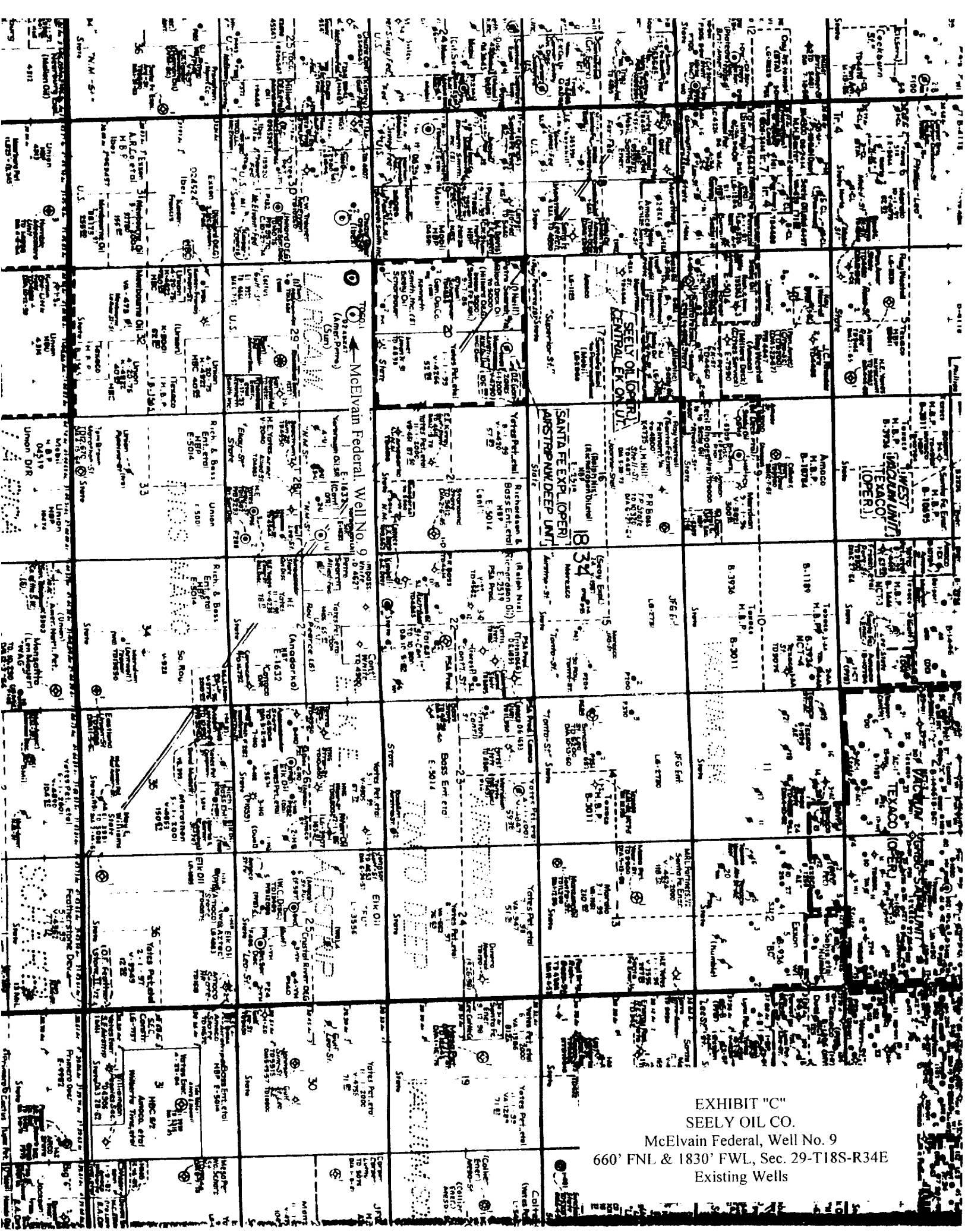
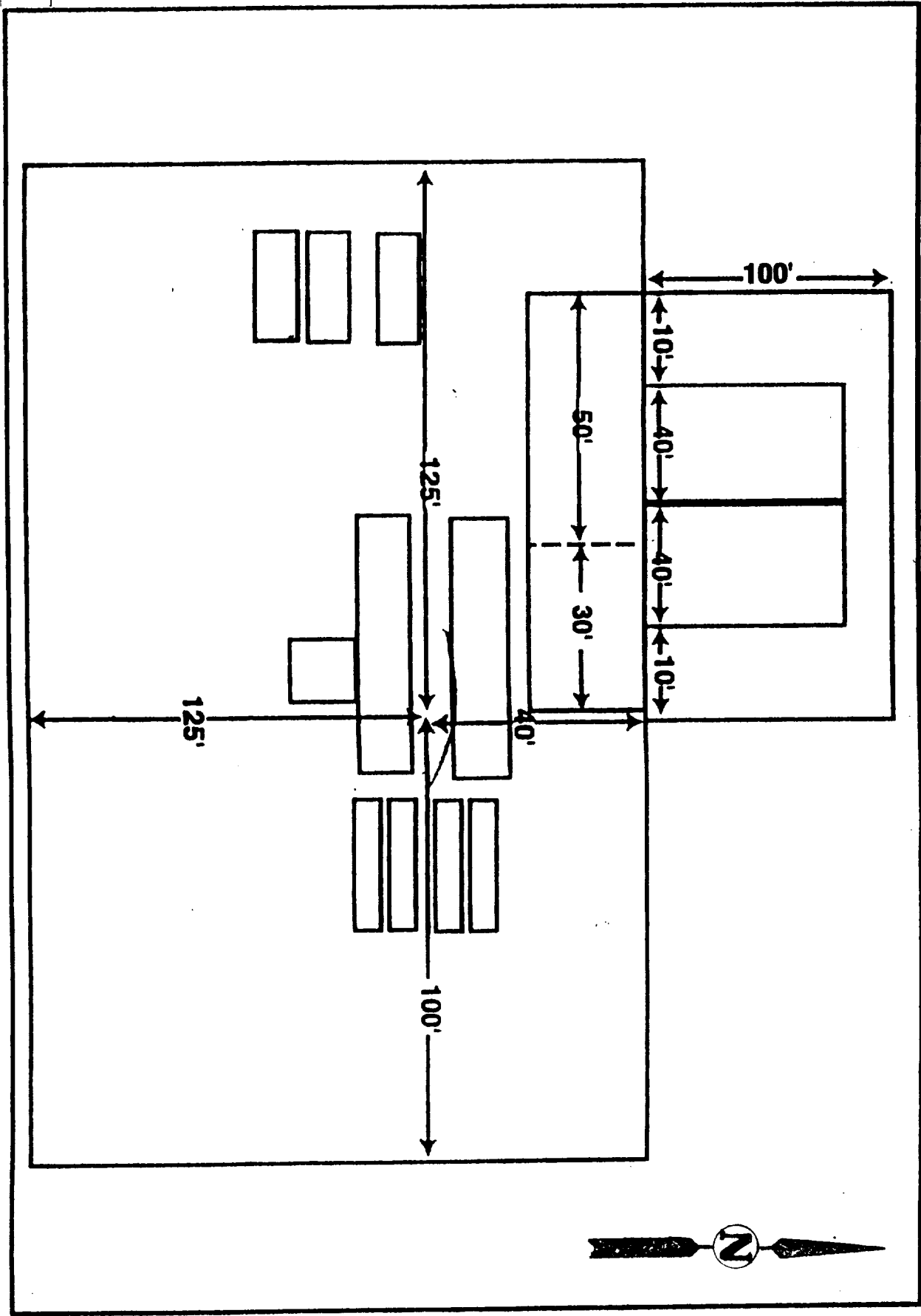


EXHIBIT "C"
SEELY OIL CO.
McElvain Federal, Well No. 9
660' FNL & 1830' FWL, Sec. 29-T18S-R34E
Existing Wells

ACCESS
ROAD



Rig 65

EXHIBIT "D"
SEELY OIL CO.
McElvain Federal, Well No. 9
Pad & Pit Layout

RIG # 65

BLOWOUT PREVENTOR ARRANGEMENT

2M SYSTEM

10" SHAFFER TYPE "E", 3000 psi WP

80 GALLON, 4 STATION KOOMEY ACCUMULATOR

3000 psi WP CHOKE MANIFOLD

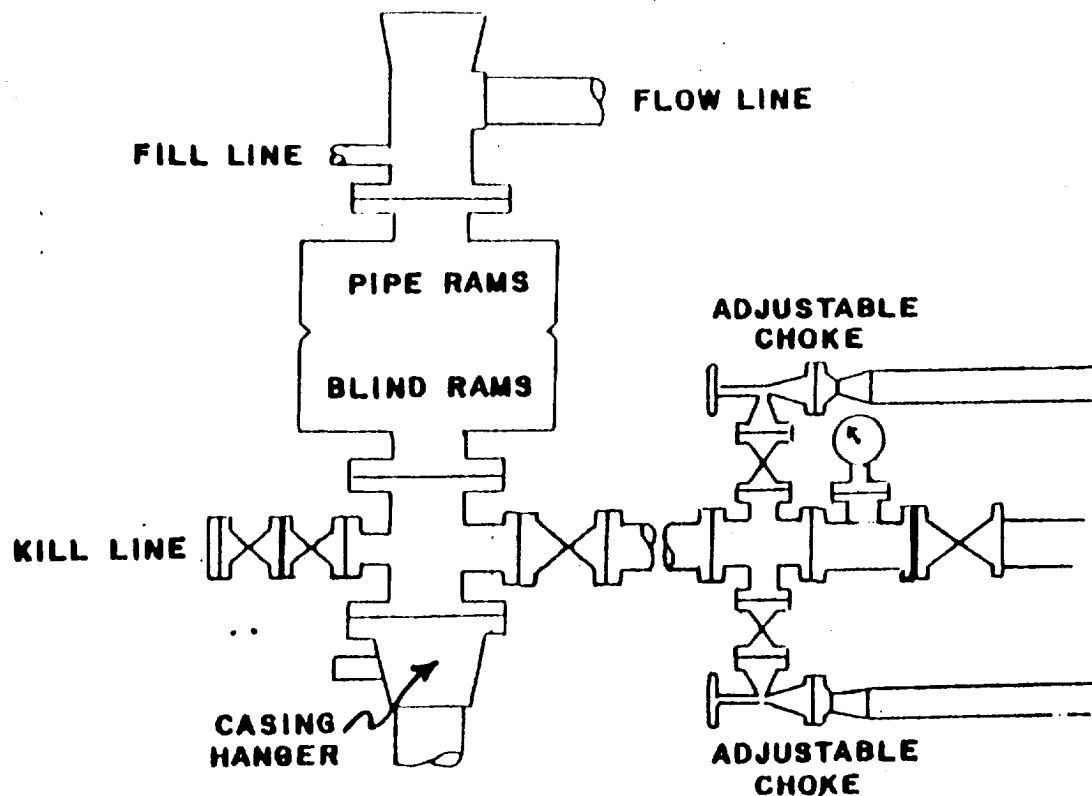


EXHIBIT "E"
SEELY OIL CO.
McElvain Federal, Well No. 9
BOP Specifications

ABOVE DATE DOES NOT
INDICATE WHEN
CONFIDENTIAL LOGS
WILL BE RELEASED

ELF

1/10/07