

**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. 12147
Order No. R-11191**

**APPLICATION OF THE WISER OIL COMPANY FOR CERTIFICATION OF A
POSITIVE PRODUCTION RESPONSE IN THE CAPROCK MALJAMAR UNIT
AREA, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 18, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of May 1999, 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) Cases No. 12147, 12148, 12149 and 12150 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, The Wiser Oil Company, seeks certification, pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as established by Division Order No. R-9708, of a positive production response within its Caprock Maljamar Unit Waterflood Project, located in portions of Township 17 South, Ranges 32 and 33 East, NMPM, Lea County, New Mexico.
- (4) The evidence presented by the applicant in this case demonstrates that:
 - a) the Caprock Maljamar Unit Waterflood Project was approved by Division Order No. R-10094 on April 5, 1994. The project currently comprises the following described acreage:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM

Section 13: SE/4

Section 24: All

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 17: All
Section 18: E/2, SW/4
Sections 19 and 20: All
Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4
Section 27: NW/4 SW/4
Section 28: W/2, SE/4, SW/4 NE/4
Section 29: NE/4 NE/4
Section 33: N/2 NE/4, SE/4 NE/4

- b) at the time the properties were acquired by the applicant in 1992-93, total production was approximately 290 barrels of oil and 1,090 barrels of water per day from thirty-nine (39) active producing wells;
- c) development of the Caprock Maljamar Unit Waterflood Project has progressively occurred within three separate areas of the unit summarized as follows:

<u>Phase</u>	<u>Approximate Acreage</u>	<u>Date Water Injection Commenced</u>
I	840 acres	May 1, 1994
II	1560 acres	November 8, 1994
III	1200 acres	October 1, 1996

- d) during the period from 1993 to 1998, the applicant drilled seventy-one wells, re-entered and converted numerous producing wells to injection wells, and generally refurbished the injection system within the Caprock Maljamar Unit Waterflood Project at a cost of approximately \$35 million dollars. Based upon the capital costs, the applicant estimates that approximately \$586,000 "per injection pattern" was spent to conduct waterflood operations within the unit;
- e) there are currently 81 active injection wells and 73 active producing wells within the Caprock Maljamar Unit Waterflood Project;

- f) water injection within the Caprock Maljamar Unit Waterflood Project, as of November, 1998, is occurring at a rate of approximately 12,500 barrels per day; and
 - g) oil production within the Caprock Maljamar Unit Waterflood Project, as of November, 1998, is approximately 868 barrels of oil and 7,502 barrels of water per day.
- (5) The applicant requested that October 1, 1994, June 1, 1995 and January 1, 1998 be established as the dates positive production responses occurred within Phases I, II and III of the Caprock Maljamar Unit Waterflood Project, respectively.
- (6) The applicant's engineering evidence and testimony demonstrates that a positive production response has occurred within Phases I, II and III of the Caprock Maljamar Unit Waterflood Project, and that the positive production response dates proposed by the applicant are reasonable and should therefore be adopted.
- (7) The positive production responses within Phases I, II and III of the Caprock Maljamar Unit Waterflood Project have occurred within the five-year time limit described in Division Order No. R-9708.
- (8) The producing wells shown on the attached Exhibit "A" should be eligible for the reduced tax rate effective October 1, 1994 for Phase I, June 1, 1995 for Phase II, and January 1, 1998 for Phase III.
- (9) The applicant should be required to notify the Division:
 - a) of the change in status of any of the producing wells shown on Exhibit "A";
 - b) in the event new producing wells are drilled within the unit; and
 - c) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted by this order.
- (10) Pursuant to the provisions of Division Order No. R-9708, the Division Director should notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted by this order.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, the application of The Wiser Oil Company for certification of a positive production response within Phases I, II and III of its Caprock Maljamar Unit Waterflood Project is hereby approved.

(2) Positive production response dates for Phases I, II and III of the Caprock Maljamar Unit Waterflood Project are hereby established as follows:

<u>Phase Number</u>	<u>Positive Production Response Date</u>
I	October 1, 1994
II	June 1, 1995
III	January 1, 1998

(3) All wells located within Phase I of the Caprock Maljamar Unit Waterflood Project, as identified on Exhibit "A", shall be eligible for the reduced tax rate effective October 1, 1994.

(4) All wells located within Phase II of the Caprock Maljamar Unit Waterflood Project, as identified on Exhibit "A", shall be eligible for the reduced tax rate effective June 1, 1995.

(5) All wells located within Phase III of the Caprock Maljamar Unit Waterflood Project, as identified on Exhibit "A", shall be eligible for the reduced tax rate effective January 1, 1998.

(6) The applicant shall notify the Division:

- a) of the change in status of any of the producing wells shown on Exhibit "A";
- b) in the event new producing wells are drilled within the unit; and
- c) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted by this order.

(7) Pursuant to the provisions of Division Order No. R-9708, the Division Director shall notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted by this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

S E A L

Exhibit "A"
Case No. 12147
Division Order No. R-11191
Caprock Maljamar Unit Waterflood Project
Producing Wells

Phase I

<u>Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
CMU No. 152	30-025-32042	Unit F, Section 17, T-17S, R-33E
CMU No. 153	30-025-32422	Unit N, Section 17, T-17S, R-33E
CMU No. 154	30-025-32893	Unit P, Section 17, T-17S, R-33E
CMU No. 164	30-025-32931	Unit M, Section 17, T-17S, R-33E
CMU No. 165	30-025-32425	Unit M, Section 17, T-17S, R-33E
CMU No. 166	30-025-32043	Unit O, Section 17, T-17S, R-33E
CMU No. 167	30-025-32424	Unit O, Section 17, T-17S, R-33E
CMU No. 177	30-025-31980	Unit B, Section 19, T-17S, R-33E
CMU No. 178	30-025-32549	Unit D, Section 20, T-17S, R-33E
CMU No. 179	30-025-24446	Unit F, Section 20, T-17S, R-33E
CMU No. 180	30-025-32423	Unit C, Section 20, T-17S, R-33E
CMU No. 181	30-025-32044	Unit H, Section 20, T-17S, R-33E
CMU No. 192	30-025-32427	Unit G, Section 19, T-17S, R-33E
CMU No. 193	30-025-32550	Unit E, Section 20, T-17S, R-33E
CMU No. 194	30-025-32840	Unit K, Section 20, T-17S, R-33E
CMU No. 400	30-025-34224	Unit I, Section 17, T-17S, R-33E
CMU No. 401	30-025-34225	Unit P, Section 17, T-17S, R-33E

Phase II

<u>Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
CMU No. 65	30-025-01483	Unit K, Section 19, T-17S, R-33E
CMU No. 128	30-025-31981	Unit H, Section 18, T-17S, R-33E
CMU No. 129	30-025-32920	Unit H, Section 18, T-17S, R-33E
CMU No. 130	30-025-32454	Unit F, Section 17, T-17S, R-33E
CMU No. 131	30-025-32455	Unit G, Section 17, T-17S, R-33E
CMU No. 132	30-025-32921	Unit G, Section 17, T-17S, R-33E
CMU No. 139	30-025-32922	Unit G, Section 18, T-17S, R-33E
CMU No. 140	30-025-32923	Unit H, Section 18, T-17S, R-33E
CMU No. 141	30-025-32838	Unit K, Section 17, T-17S, R-33E
CMU No. 142	30-025-32839	Unit J, Section 17, T-17S, R-33E
CMU No. 143	30-025-32924	Unit J, Section 17, T-17S, R-33E
CMU No. 146	30-025-33263	Unit P, Section 13, T-17S, R-32E
CMU No. 147	30-025-33264	Unit P, Section 13, T-17S, R-32E
CMU No. 148	30-025-24242	Unit N, Section 18, T-17S, R-33E
CMU No. 149	30-025-32925	Unit K, Section 18, T-17S, R-33E
CMU No. 150	30-025-24296	Unit O, Section 18, T-17S, R-33E
CMU No. 151	30-025-32926	Unit L, Section 17, T-17S, R-33E
CMU No. 159	30-025-33005	Unit O, Section 13, T-17S, R-33E
CMU No. 160	30-025-32927	Unit H, Section 18, T-17S, R-33E

CMU No. 161	30-025-32928	Unit M, Section 18, T-17S, R-33E
CMU No. 162	30-025-32929	Unit O, Section 18, T-17S, R-33E
CMU No. 163	30-025-32930	Unit O, Section 18, T-17S, R-33E
CMU No. 173	30-025-32201	Unit B, Section 24, T-17S, R-33E
CMU No. 175	30-025-33083	Unit D, Section 19, T-17S, R-33E
CMU No. 176	30-025-32426	Unit B, Section 19, T-17S, R-33E
CMU No. 191	30-025-33269	Unit G, Section 19, T-17S, R-33E
CMU No. 195	30-025-32841	Unit G, Section 20, T-17S, R-33E
CMU No. 196	30-025-32941	Unit H, Section 20, T-17S, R-33E
CMU No. 207	30-025-33270	Unit O, Section 19, T-17S, R-33E
CMU No. 208	30-025-33084	Unit M, Section 20, T-17S, R-33E
CMU No. 209	30-025-33201	Unit N, Section 20, T-17S, R-33E

Phase III

<u>Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
CMU No. 63	30-025-00663	Unit I, Section 24, T-17S, R-32E
CMU No. 89	30-025-01529	Unit C, Section 28, T-17S, R-33E
CMU No. 98	30-025-01525	Unit M, Section 28, T-17S, R-33E
CMU No. 103	30-025-01385	Unit A, Section 33, T-17S, R-33E
CMU No. 171	30-025-33517	Unit C, Section 17, T-17S, R-33E
CMU No. 172	30-025-33423	Unit F, Section 17, T-17S, R-33E
CMU No. 182	30-025-33266	Unit D, Section 21, T-17S, R-33E
CMU No. 186	30-025-33422	Unit I, Section 24, T-17S, R-33E
CMU No. 187	30-025-33421	Unit F, Section 24, T-17S, R-33E
CMU No. 201	30-025-24810	Unit M, Section 24, T-17S, R-33E
CMU No. 202	30-025-26552	Unit J, Section 24, T-17S, R-33E
CMU No. 210	30-025-33281	Unit O, Section 20, T-17S, R-33E
CMU No. 211	30-025-33271	Unit I, Section 20, T-17S, R-33E
CMU No. 236	30-025-33504	Unit E, Section 28, T-17S, R-33E
CMU No. 242	30-025-33242	Unit K, Section 28, T-17S, R-33E
CMU No. 243	30-025-33243	Unit J, Section 28, T-17S, R-33E
CMU No. 244	30-025-33244	Unit O, Section 28, T-17S, R-33E
CMU No. 250	30-025-33245	Unit P, Section 28, T-17S, R-33E
CMU No. 268	30-025-33841	Unit K, Section 24, T-17S, R-32E
CMU No. 280	30-025-33773	Unit M, Section 28, T-17S, R-33E
CMU No. 281	30-025-33723	Unit M, Section 28, T-17S, R-32E
CMU No. 282	30-025-34110	Unit N, Section 28, T-17S, R-33E
CMU No. 283	30-025-34193	Unit O, Section 28, T-17S, R-33E
CMU No. 284	30-025-34194	Unit M, Section 28, T-17S, R-33E
CMU No. 285	30-025-34257	Unit B, Section 33, T-17S, R-33E