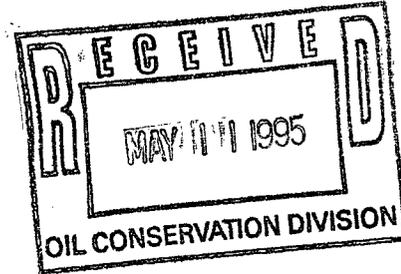


SHAHARA OIL CORPORATION

May 3, 1995

Mr. Mike Stogner
Oil Conservation Division
PO Box 2088
Santa Fe, NM 87504-2088

Re: Unorthodox Location
Caprock Maljamar Unit Waterflood Project
Caprock Maljamar Unit
Maljamar Grayburg San Andres Field
Lea County, New Mexico



Dear Mr. Stogner:

The Wiser Oil Company requests approval for one outside unorthodox location. A copy of this request is being sent this date by certified mail to Penroc Oil Corp., the offset operator. This location designated Caprock Maljamar Unit Well No. 159 is shown on the attached map. The location of this well is as follows:

Caprock Maljamar Unit #159
47' FSL & 1358' FEL, Unit O
Section 13 T17S R33E
Lea County, New Mexico

This well will more efficiently and effectively establish the pattern of the waterflood as set out by Order No. R-10094.

Attached are copies of the C-101, C-102, map showing proposed access roads, map showing existing wells, proposed wells and plat of the waterflood area showing the original 80-acre 5-spot waterflood patterns. It is anticipated that the injection pattern will become a 40-acre 5-spot pattern.

Your earliest consideration of this request will be appreciated. Should you have any questions or require additional data, please contact the undersigned in Carlsbad at 885-5433.

Sincerely,

A handwritten signature in cursive script, appearing to read "Melanie J. Parker".

Melanie J. Parker
Agent for
The Wiser Oil Company

/mp
Enclosures

cc: OCD Hobbs

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-101
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: THE WISER OIL COMPANY 207 W. MCKAY CARLSBAD, NM 88240		OGRID Number 022922
		API Number 30 - 0
Property Code 14578	Property Name CAPROCK MALJAMAR UNIT	Well No. 159

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
O	13	17S	33E		47	S	1358	E	LEA

⁸ Proposed Bottom Hole Location If Different From Surface

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

⁹ Proposed Pool 1 Maljamar Grayburg San Andres 43329	¹⁰ Proposed Pool 2
--	-------------------------------

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 4097'
¹⁶ Multiple No	¹⁷ Proposed Depth 5525'	¹⁸ Formation Grayburg & SA	¹⁹ Contractor L&M Drilling	²⁰ Spud Date

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	8 5/8"	24#	1350'	650	Circ.
7 7/8"	5 1/2"	17#	5525'	650	2300'
					(base of salt)

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

It is proposed to drill the above captioned well to a total depth of 5525' with rotary tools. If commercial production is indicated, the well will be perforated and stimulated as necessary.

Blow Out Prevention: 10" Series 900 Type "E" Shaffer Hydraulic BOP

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Melanie J. Parker*
 Printed name: Melanie J. Parker
 Title: Agent
 Date: 5/2/95
 Phone: 505/885-5433

OIL CONSERVATION DIVISION

Approved by:
 Title:
 Approval Date: Expiration Date:
 Conditions of Approval:
 Attached

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

Operator The Wiser Oil Company			Lease Caprock Maljamar Unit		Well No. 159
Unit Letter 0	Section 13	Township 17 South	Range 32 East	County NMDEM Lea	

Actual Footage Location of Well:
47 feet from the South line and 1358 feet from the East line

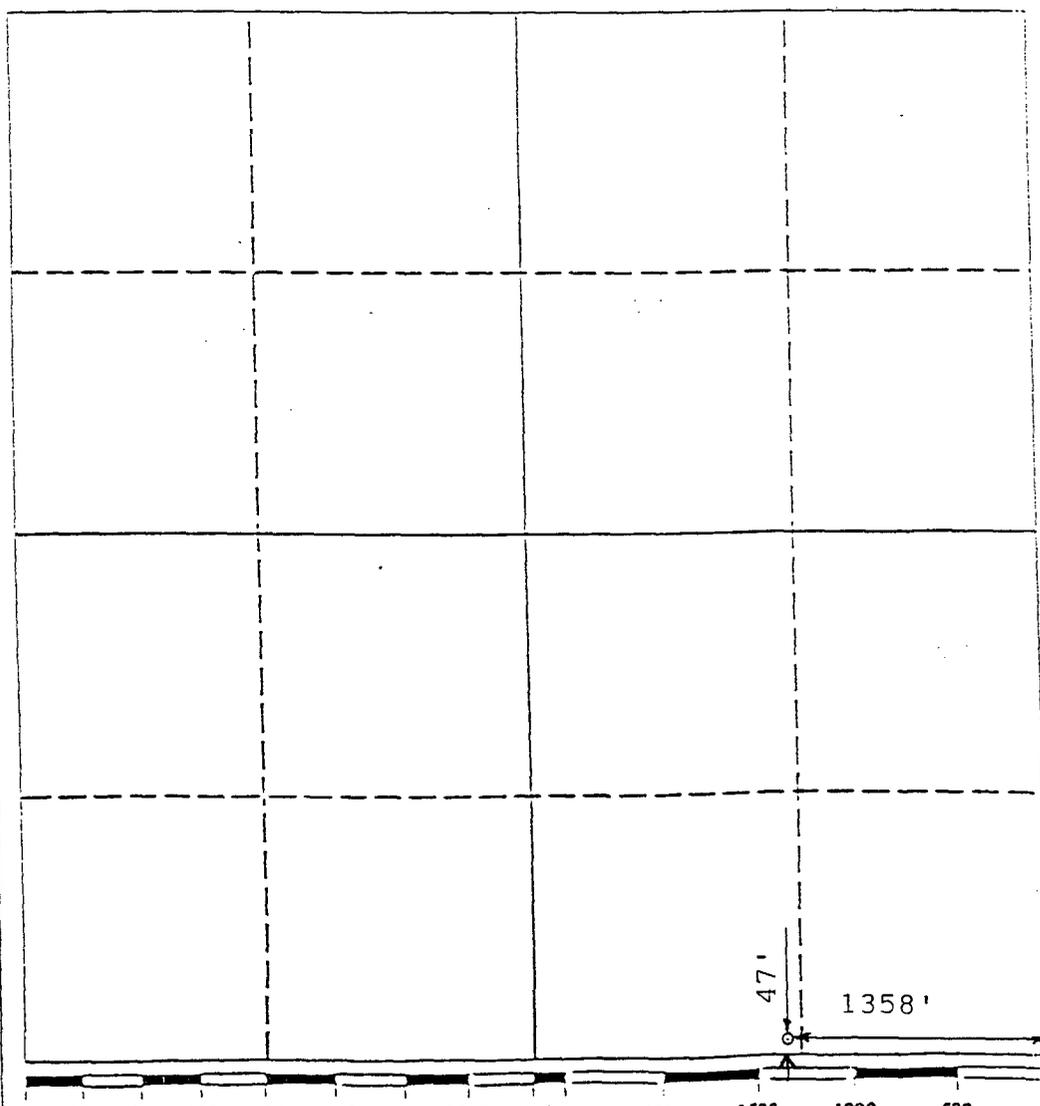
Ground level Elev. 4097	Producing Formation Grayburg & San Andres	Pool Maljamar Grayburg San Andres	Dedicated Acreage: 40 Acres
-----------------------------------	---	---	---------------------------------------

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Perry L. Hughes
 Signature
PERRY L. HUGHES
 Printed Name
AGENT
 Position
THE WISER OIL COMPANY
 Company
03/06/95
 Date

SURVEYOR CERTIFICATION

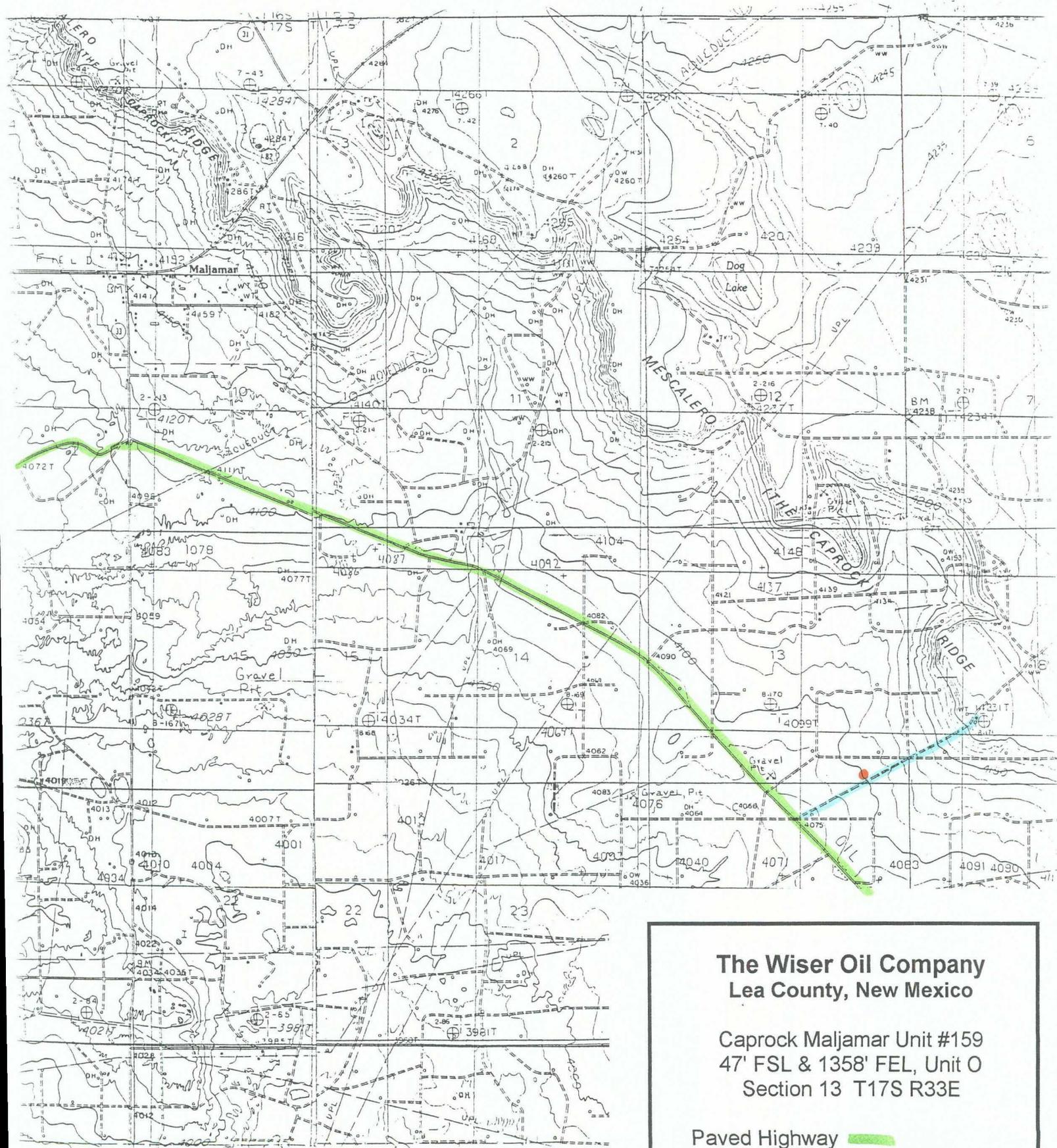
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
February 23, 1995

Signature & Seal of P. R. PATTON
 Professional Surveyor

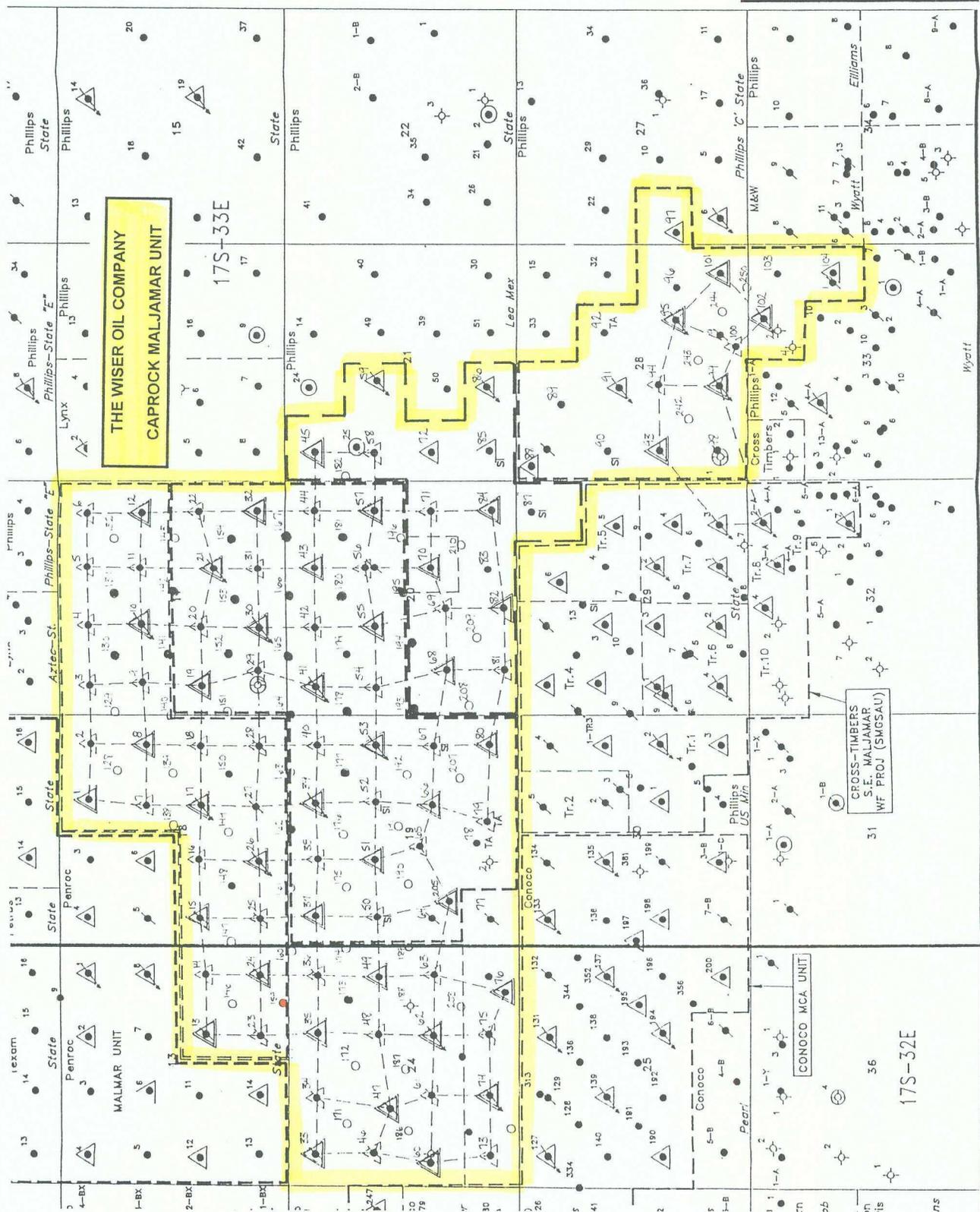
P. R. PATTON
 REGISTERED PROFESSIONAL LAND SURVEYOR
 NEW MEXICO
 87502

Certificate No.
8112



The Wiser Oil Company
Lea County, New Mexico
 Caprock Maljamar Unit #159
 47' FSL & 1358' FEL, Unit O
 Section 13 T17S R33E

Paved Highway █
 Existing Access Road █
 Proposed Access Road █



**THE WISER OIL COMPANY
CAPROCK MALJAMAR UNIT**

REDEVELOPMENT PLAN	
WISER - CAPROCK MALJAMAR UNIT	
MALJAMAR (GRAYBURG-SAN ANDRES) FIELD	
LEA CO., NEW MEXICO	
●	PHASE 1 PRODUCER
△	PHASE 2 SHUT-IN INJECTOR
□	PHASE 2 ACTIVE INJECTOR
○	PHASE 3 PROPOSED PRODUCER
△	PHASE 3 PROPOSED INJECTOR
○	CONVERSION
△	FORMER INJECTOR

CONOCO MCA UNIT

CROSS-TIMBERS
S.E. MALJAMAR
WF PROJ (SMGSAU)

17S-32E



SHAHARA OIL CORPORATION

OIL CONSERVATION DIVISION
RECEIVED

33 MAY 17 AM 8 52

May 10, 1995

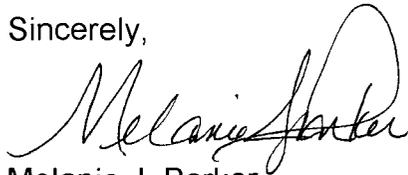
Mr. Mike Stogner
Oil Conservation Division
PO Box 2088
Santa Fe, NM 87504-2088

Re: The Wiser Oil Company
Request for Unorthodox Location
Caprock Maljamar Unit Well No. 159

Dear Mr. Stogner:

Enclosed is the acknowledgement of Penroc Oil Corp., the offset operator of the requested unorthodox location.

Sincerely,



Melanie J. Parker
Agent for
The Wiser Oil Company

/mp

Enclosure

SHAHARA OIL CORPORATION

May 3, 1995

CERTIFIED NO. Z 141 770 906

Penroc Oil Corp.
P.O. Box 5970
Hobbs, New Mexico 88241-5970

Re: The Wiser Oil Company
Request for Unorthodox Location
Caprock Maljamar Unit Well No. 159

Gentlemen:

Enclosed is a copy of a request for approval of an unorthodox location of a 20-acre infill well on the Caprock Maljamar Unit. The location of this well is as follows:

Caprock Maljamar Unit #159
47' FSL & 1358' FEL, Unit O
Section 13 T17S R33E
Lea County, New Mexico

The Wiser Oil Company is submitting this request as part of the expansion of its Caprock Maljamar Unit Waterflood Project. This copy is sent to you in compliance with OCD requirement to notify the offset operator. If you have no objection to this location, please sign the enclosed copy of this letter and return in the envelope provided.

Should you have any questions regarding this request, please contact me at 505-885-5433.

Sincerely,

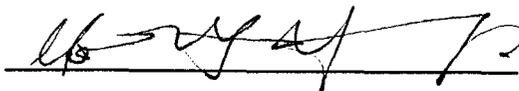


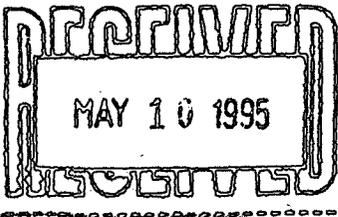
Perry L. Hughes
Authorized Agent for
The Wiser Oil Company

PLH/mp

Enclosures

PENROC OIL CORP.

By: 



**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. 10930
Order No. R-10093**

**APPLICATION OF THE WISER OIL
COMPANY FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 3, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 5th day of April, 1994, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 10930, 10931 and 10932 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, The Wisser Oil Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA, (1978), of all mineral interests underlying 4,160 acres, more or less, of State and Federal lands comprising portions of Sections 13 and 24, Township 17 South, Range 32 East, NMPM, and portions of Sections 17 through 21, 27 through 29, and Section 33, Township 17 South, Range 33 East, NMPM, and embracing a portion of the Maljamar Grayburg-San Andres Pool, Lea County, New Mexico, said unit to be known as the Caprock Maljamar Unit Area; the applicant further seeks the approval of the Unit Agreement which was submitted in evidence as applicant's Exhibit No. 4 in this case.

(4) By Order No. R-2768 dated September 16, 1964, the Division, upon application of Sunset International Petroleum Corporation, established the Mal-Gra Unit Area, a 600-acre unit established for the purpose of conducting secondary recovery operations within the Maljamar Grayburg-San Andres Pool.

(5) The Mal-Gra Unit Area, which encompasses the following described acreage, is embraced within the proposed Caprock Maljamar Unit Area:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 20: S/2

Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4

Section 29: NE/4 NE/4

(6) The applicant, being the successor operator of the Mal-Gra Unit, requested at the hearing that the subject unit be terminated.

(7) The Mal-Gra Unit should be terminated, provided however that the applicant, pursuant to the provisions of the Mal-Gra Unit Agreement, should request in writing that the Commissioner of Public Lands for the State of New Mexico also terminate such unit.

(8) The proposed unit area should be designated the Caprock Maljamar Unit Area, and the horizontal limits of said unit area should be comprised of the following described State and Federal lands in Lea County, New Mexico:

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

(9) Said unit has been approved by the United States Bureau of Land Management (BLM) and the Commissioner of Public Lands for the State of New Mexico, subject to the approval of the statutory unitization by the Division.

(10) The vertical limits of the Caprock Maljamar Unit Area, as described within the Unit Agreement, should comprise that interval from the surface to a depth of 5,500 feet.

(11) The unit area contains thirteen (13) separate tracts. The applicant is the sole working interest owner within the proposed Caprock Maljamar Unit.

(12) As of the date of hearing, the owners of approximately eighty-two (82) percent of the royalty interest were effectively committed to the unit or have balloted to support the unit.

(13) All interested parties who have not agreed to unitization were notified of the hearing by the applicant, but no interest owner appeared at the hearing in opposition to the unitization nor to the vertical limits of the proposed unit area.

(14) The portion of the Maljamar Grayburg-San Andres Pool underlying the unit area has reasonably been defined by development.

(15) The applicant proposes to institute an enhanced recovery project for the secondary recovery of oil, gas and associated liquefiable hydrocarbons within and to be produced from the proposed unit area (being the subject of Case Nos. 10931 and 10932).

(16) According to applicant's evidence and testimony, five different areas within the proposed Caprock Maljamar Unit, including the aforesaid Mal-Gra Unit Area, have previously been subject to waterflood operations.

(17) Further testimony indicates that these lease or unit waterflood operations were conducted within the Maljamar Grayburg- San Andres Pool on 80-acre five spot injection patterns.

(18) Unitized management of the unit area and a reduction to a 40-acre five spot injection pattern should enable the applicant to recover an additional 6.8 million barrels of oil from the Caprock Maljamar Unit Area.

(19) The unitized management, operation and further development of the Caprock Maljamar Unit Area, as proposed, is feasible and reasonably necessary to effectively and efficiently carry on enhanced recovery operations and should substantially increase the ultimate recovery of oil and gas from a portion of the Maljamar-Grayburg San Andres Pool.

(20) The proposed unitized method of operation as applied to the unit area is feasible and will result with reasonable probability in the increased recovery of substantially more oil from the unitized portion of the pool than would otherwise be recovered without unitization.

(21) The estimated additional cost of the proposed unitized operations within the unit area will not exceed the estimated value of the additional oil and gas plus a reasonable profit.

(22) The applicant, designated operator of the unit area pursuant to the Unit Agreement, has made a good faith effort to secure voluntary unitization within the unit area.

(23) The participation formula contained in the Unit Agreement allocates the produced and saved unitized substances to the separately owned tracts in the unit area, on a fair, reasonable and equitable basis.

(24) Unitization and the adoption of the proposed unitized methods of operation will benefit the working, royalty and overriding royalty interest owners of the oil and gas rights within the Caprock Maljamar Unit Area.

(25) The applicant's Exhibit No. 4 in this case, being the Unit Agreement, should be incorporated by reference into this order.

(26) The Caprock Maljamar Unit Agreement, as applied to the unit area, provides for unitization of the Caprock Maljamar Unit Area upon terms and conditions that are fair, reasonable, equitable, and which include:

- (a) an allocation to the separately owned tracts in the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;
- (b) a provision designating the unit operator and providing for the supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;
- (c) the time when the unit operations shall commence and the manner in which, and the circumstances under which, the unit operations shall terminate and for the settlement of accounts upon such termination.

(27) The statutory unitization of the Caprock Maljamar Unit Area is in conformity with the above findings, and will prevent waste and will protect the correlative rights of all interest owners within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Caprock Maljamar Unit Area comprising 4,160 acres, more or less, of State and Federal lands in the Maljamar Grayburg- San Andres Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA, (1978).

(2) The lands included within the Caprock Maljamar Unit Area shall comprise:

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

(3) The vertical limits of the Caprock Maljamar Unit Area, as described within the Unit Agreement, shall comprise that interval from the surface to a depth of 5,500 feet.

(4) The applicant shall institute a secondary recovery project for the secondary recovery of oil, gas and all associated liquefiable hydrocarbons within and produced from the unit area, (said secondary recovery project being the subject of Case Nos. 10931 and 10932).

(5) The Caprock Maljamar Unit Agreement, being applicant's Exhibit No. 4 in this case, is hereby incorporated by reference into this order.

(6) The Unit Agreement for the Caprock Maljamar Unit provides for unitization of the unit area upon terms and conditions that are fair, reasonable and equitable.

(7) Since the persons owning the required statutory minimum percentage of interest in the unit area have approved or ratified the Unit Agreement, the interest of all persons within the Unit Area are hereby unitized whether or not such persons have approved the Unit Agreement in writing.

(8) The applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the unit area.

(9) The Mal-Gra Unit Area, which encompasses the following described acreage within the Caprock Maljamar Unit Area, is hereby terminated, provided however, the applicant shall apply and also obtain approval for such termination from the Commissioner of Public Lands for the State of New Mexico:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 20: S/2

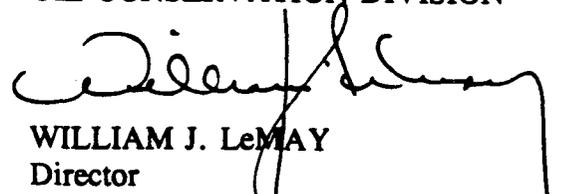
Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4

Section 29: NE/4 NE/4

(10) Jurisdiction of this cause is 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



WILLIAM J. LeMAY
Director

S E A L

**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 NOS. 10931 and 10932
Order No. R-10094**

**APPLICATION OF THE WISER OIL COMPANY
FOR APPROVAL OF A WATERFLOOD PROJECT,
LEA COUNTY, NEW MEXICO.**

**APPLICATION OF THE WISER OIL COMPANY
TO AUTHORIZE THE EXPANSION OF THE
MALJAMAR CAPROCK UNIT WATERFLOOD
PROJECT AND QUALIFY SAID EXPANSION
FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE "NEW MEXICO ENHANCED
OIL RECOVERY ACT," LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 3, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 5th day of April, 1994, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) Division Case Nos. 10930, 10931 and 10932 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant in Case No. 10931, The Wiser Oil Company, seeks authority to institute a waterflood project within its proposed Caprock Maljamar Unit Area (being the subject of Case No. 10930) which encompasses the following described acreage, by the injection of water into the Maljamar Grayburg-San Andres Pool, Lea County, New Mexico, through twenty-one initial injection wells located within the unit area as shown on Exhibit "A" attached hereto. The applicant further seeks to qualify the Caprock Maljamar Unit Waterflood Project as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

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

(4) The applicant in Case No. 10932, The Wiser Oil Company, seeks an order pursuant to the rules and procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, qualifying a portion of its Caprock Maljamar Unit, as described in Finding No. (3) above, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico, for the recovered oil tax rate pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(5) Through the presentation of evidence and testimony in these cases, it appears that the applicant's request to certify the Caprock Maljamar Unit Area as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" is duplicated in Case No. 10932 and therefore unnecessary.

(6) Division Case No. 10932 should be dismissed.

(7) The wells located within the applicant's Caprock Maljamar Unit Area are in an advanced state of depletion and should properly be classified as "stripper wells".

(8) The proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(9) Applicant estimates that secondary recovery operations within the Caprock Maljamar Unit Area will result in the recovery of an additional 6.8 million barrels of oil.

(10) Division records and testimony presented at the hearing indicates that within the Caprock Maljamar Unit Area there are five Division Orders currently in effect authorizing the injection of water for secondary recovery purposes into the Maljamar Grayburg-San Andres Pool. These division orders are as follows:

- a) Division Order No. R-2156 dated January 3, 1962 authorized Murphy H. Baxter to institute a waterflood project within the following described area, said project designated the Murphy H. Baxter Maljamar Waterflood Project:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM

Section 13: SE/4

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 16: S/2, NE/4

Section 17: N/2

- b) Division Order No. R-2157 dated January 3, 1962 authorized Zapata Petroleum Corporation to institute a waterflood project within the following described area, said project designated the Zapata Maljamar Western State Waterflood Project:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 17: S/2

Section 19: NE/4

Section 20: N/2

- c) Division Order No. R-2769 dated September 16, 1964 authorized Sunset International Petroleum Corporation to institute a waterflood project within the Mal-Gra Unit Area, described as follows, said project designated the Mal-Gra Unit Waterflood Project:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 20: S/2

Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4

- d) Division Order No. R-3011 dated December 3, 1965 authorized Sinclair Oil and Gas Company to institute a waterflood project within the following described area, said project designated the Sinclair Maljamar Johns Waterflood Project:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 24: All

- e) Division Order No. R-3129 dated October 4, 1966 authorized Pennzoil Company to institute a waterflood project within the following described area, said project designated the Pennzoil Maljamar Waterflood Project:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 28: S/2, NW/4
Section 33: N/2 NE/4, SE/4 NE/4

(11) Division Order Nos. R-2156, R-2157, R-2769, R-3011 and R-3129, which orders approved, respectively, the Murphy H. Baxter Maljamar, Zapata Maljamar Western State, Mal-Gra Unit, Sinclair Maljamar Johns, and the Pennzoil Maljamar Waterflood Projects, should be superseded by this order.

(12) Division records further indicate that eleven of the proposed twenty-one injection wells, described as follows, have previously been permitted for injection into the Maljamar Grayburg-San Andres Pool:

<u>WELL NAME & NUMBER</u>	<u>WELL LOCATION</u>	<u>ORDER NUMBER</u>
Western State No. 15	Unit L, 17-17S-33E	R-2157
Western State No. 13	Unit J, 17-17S-33E	WFX-171
Western State No. 8	Unit N, 17-17S-33E	R-2157
Western State No. 10	Unit P, 17-17S-33E	WFX-200
Phillips "B" State No. 5	Unit B, 19-17S-33E	R-2157-A
Western State No. 6	Unit D, 20-17S-33E	R-2157
Western State No. 5	Unit B, 20-17S-33E	WFX-139
Phillips "B" State No. 3	Unit H, 19-17S-33E	R-2157-A
Western State No. 3	Unit F, 20-17S-33E	WFX-139
Western State No. 4	Unit H, 20-17S-33E	WFX-200
Mal-Gra Unit No. 7	Unit L, 20-17S-33E	R-2769

(13) The evidence presented indicates that the Western State Well No. 4, as described above, is currently plugged and abandoned.

(14) In order to bring these injection wells into compliance with current Division Rules and Regulations, the Division should examine Form C-108 data (Authorization to Inject) submitted for each of these wells by the applicant and should re-permit these wells under modern regulations.

(15) The applicant 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.

(16) The injection of water into each of the wells shown on Exhibit "A" should be accomplished through internally plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforation or casing shoe; 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.

(17) Prior to commencing injection operations into the wells shown on Exhibit "A", 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.

(18) The injection wells or pressurization system should be initially equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 814 psi.

(19) The Division Director should have the authority to administratively authorize a pressure limitation in excess of the pressure limitation described in Finding No. (18) above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(20) There is one well located within the "area of review", the Mal-Gra Unit "B" Well No. 2 located in Unit O of Section 20, which reportedly has casing leaks. The applicant should be required to consult with the supervisor of the Hobbs district office of the Division in order to determine if this well, in its present condition, provides a conduit for migration of injected fluid. If so, the applicant should conduct repairs on the well in a manner acceptable to the Division prior to conducting injection operations within one half mile.

(21) The operator should give advance notification to the supervisor of the Hobbs District Office of the Division of the date and time of the installation of injection equipment, the conductance of any remedial cement operations, and of the mechanical integrity pressure tests in order that the same may be witnessed.

(22) The application should be approved and the project should be governed by the provisions of Rule Nos. 701 through 708 of the Oil Conservation Division Rules and Regulations.

(23) At the time of the hearing, the applicant requested that the subject waterflood be certified by the Division as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(24) Implementation of secondary recovery operations within the Caprock Maljamar Unit will occur in three phases.

(25) Previous waterflood operations within the proposed unit area have been conducted on 80-acre five spot injection patterns.

(26) Within the Caprock Maljamar Unit, the applicant proposes to conduct waterflood operations on 40-acre five spot injection patterns. Such action will require that the applicant drill and equip fifty-nine new producing wells, drill and equip eleven new injection wells, convert forty producing wells to injection, and conduct workovers on thirty-eight wells, as well as upgrade tank battery and injection facilities.

(27) The proposed change in operations within the project area will require a capital expenditure of approximately twenty-three million dollars.

(28) The applicant requests certification of the project area on the contention that it has or will expand the use of enhanced oil recovery technology and will increase the size of the geologic area being flooded representing a unique area of activity.

(29) Geologic variations generally indicate that the 80-acre five spot injection pattern previously utilized within the Caprock Maljamar Unit Area may have been too large and likely resulted in substantial volumes of oil being unrecovered.

(30) The reduction in the waterflood injection pattern from 80 acres to 40 acres will improve the sweep efficiency and should increase the ultimate oil recovery from the proposed project area.

(31) The evidence presented indicates that the subject waterflood meets all the criteria for certification.

(32) The certified "project area" should initially comprise the area within the Caprock Maljamar Unit, described in Finding No. (3) above, provided however, the "project area" and/or the producing wells eligible for the recovered oil tax rate may be contracted and reduced dependent upon the evidence presented by the applicant in its demonstration of the occurrence of a positive production response.

(33) To be eligible for the EOR credit, the operator should advise the Division when water injection commences within Phase I, II and III and at such time, request the Division certify such phases or areas to the New Mexico Taxation and Revenue Department.

(34) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, The Wiser Oil Company, is hereby authorized to institute a waterflood project within its Caprock Maljamar Unit Area which encompasses the following described acreage, by the injection of water into the Maljamar Grayburg-San Andres Pool, Lea County, New Mexico, through twenty-one initial injection wells located within the unit area as shown on Exhibit "A" attached hereto.

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

(2) The applicant 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 into the wells shown on Exhibit "A" shall be accomplished through plastic-lined tubing installed in a packer set approximately within 100 feet of the uppermost injection perforation or casing shoe; 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 injection wells or pressurization system shall be equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 814 psi.

(5) The Division Director shall have the authority to 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 into the wells shown on Exhibit "A", 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 initiating injection operations within one-half mile of the Mal-Gra Unit "B" Well No. 2, located in Unit O of Section 20, the applicant shall consult with the supervisor of the Hobbs district office of the Division in order to determine if this well, in its present condition, provides a conduit for migration of injected fluid. If so, the applicant shall conduct repairs on the well in a manner acceptable to the Division.

(8) The operator shall give advance notification to the supervisor of the Hobbs District Office of the Division of the date and time of the installation of injection equipment, the conductance of remedial cement operations, and of the mechanical integrity pressure tests, in order that the same may be witnessed.

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

(10) The subject waterflood is hereby designated the Caprock Maljamar Unit Waterflood Project and shall be governed by the provisions of Rule Nos. 701 through 708 of the Oil Conservation Division Rules and Regulations.

(11) Monthly progress reports of the waterflood project herein authorized shall be submitted to the Division in accordance with Rule Nos. 706 and 1115 of the Division Rules and Regulations.

(12) Division Order Nos. R-2156, R-2157, R-2769, R-3011 and R-3129, which orders approved, respectively, the Murphy H. Baxter Maljamar, Zapata Maljamar Western State, Mal-Gra Unit, Sinclair Maljamar Johns, and the Pennzoil Maljamar Waterflood Projects, are hereby superseded by this order.

(13) The subject waterflood is hereby certified as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(14) The certified "project area" shall initially coincide with the Caprock Maljamar Unit Area, described in Finding No. (3) above, provided however, the "project area" and/or the producing wells eligible for the recovered oil tax rate may be contracted and reduced dependent upon the evidence presented by the applicant in its demonstration of the occurrence of a positive production response.

(15) To be eligible for the EOR credit, the operator shall advise the Division when water injection commences within Phase I, II and III and at such time, request the Division certify such phases or areas 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 of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

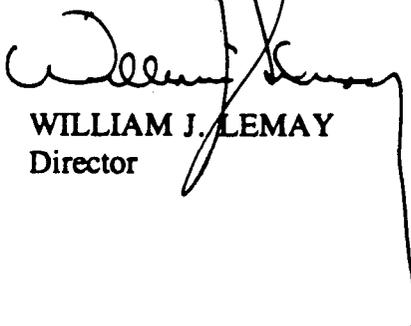
(17) The application of The Wiser Oil Company in Case No. 10932 for an order pursuant to the rules and procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, qualifying a portion of its Caprock Maljamar Unit, Lea County, New Mexico, for the recovered oil tax rate pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5), is hereby dismissed.

Case No. 10931 and 10932
Order No. R-10094
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(18) Jurisdiction of this cause is 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



WILLIAM J. LEMAY
Director

S E A L

EXHIBIT "A"
CASE NO. 10932
DIVISION ORDER NO. R-10094
CAPROCK MALJAMAR UNIT WATERFLOOD PROJECT
APPROVED INJECTION WELLS

Former Well Name and Number	New Well No. CMU	Location	Unit	S-T-R	Injection Perforations	Packer Depth	Tubing Size
Western State No. 15*	19	1980' FSL & 660' FWL	L	17-17S-33E	4203' - 4396'	4146'	2 3/8"
Western State No. 14	20	1980' FSL & 1980' FWL	K	17-17S-33E	4124' - 4396'	4024'	2 3/8"
Western State No. 13*	21	1650' FSL & 1980' FEL	J	17-17S-33E	4260' - 4415'	4191'	2 3/8"
Western State No. 11	29	660' FSL & 810' FWL	M	17-17S-33E	4170' - 4380'	4070'	2 3/8"
Western State No. 8*	30	660' FSL & 1980' FWL	N	17-17S-33E	4198' - 4460'	4148'	2 3/8"
Western State No. 7	31	660' FSL & 1980' FEL	O	17-17S-33E	4238' - 4416'	4138'	2 3/8"
Western State No. 10*	32	660' FSL & 660' FEL	P	17-17S-33E	4216' - 4426'	4187'	2 3/8"
Phillips "B" State No. 5*	39	660' FNL & 1980' FEL	B	19-17S-33E	4080' - 4408'	4036'	2 3/8"
Phillips "B" State No. 4	40	660' FNL & 660' FEL	A	19-17S-33E	4166' - 4503'	4066'	2 3/8"
Western State No. 6*	41	660' FNL & 660' FWL	D	20-17S-33E	4162' - 4375'	4122'	2 3/8"
Western State No. 2	42	660' FNL & 1980' FWL	C	20-17S-33E	4200' - 4442'	4100'	2 3/8"
Western State No. 5*	43	660' FNL & 1980' FEL	B	20-17S-33E	4215' - 4468'	4143'	2 3/8"
Western State No. 9	44	660' FNL & 660' FEL	A	20-17S-33E	4228' - 4430'	4128'	2 3/8"
Phillips "B" State No. 6	52	1980' FNL & 1980' FEL	G	19-17S-33E	4098' - 4350'	3998'	2 3/8"
Phillips "B" State No. 3*	53	1980' FNL & 660' FEL	H	19-17S-33E	4080' - 4346'	4023'	2 3/8"

* Denotes wells which have previously been approved for injection.

** Currently P&A'd.

Former Well Name and Number	New Well No. CMU	Location	Unit	S-T-R	Injection Perforations	Packer Depth	Tubing Size
Western State No. 16	54	1980' FNL & 660' FWL	E	20-17S-33E	4176' - 4426'	4076'	2 3/8"
Western State No. 3	55	1980' FNL & 1980' FWL	F	20-17S-33E	4170' - 4312'	3995'	2 3/8"
Western State No. 1-Y	56	1880' FNL - 1980' FEL	G	20-17S-33E	4068' - 4380'	3968'	2 3/8"
**Western State No. 4*	57	1980' FNL - 660' FEL	H	20-17S-33E	Unknown	Unknown	2 3/8"
**Phillips "B" State No. 2	67	1980' FSL - 660' FEL	I	19-17S-33E	Unknown	Unknown	2 3/8"
Mal-Gra Unit No. 7*	68	1650' FSL & 990' FWL	L	20-17S-33E	4190' - 4355'	4090'	2 3/8"

* Denotes wells which have previously been approved for injection.

** Currently P&A'd.