

**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. 12150  
Order No. R-11213*

**APPLICATION OF THE WISER OIL COMPANY TO QUALIFY THE STATE  
“AZ” LEASE WATERFLOOD EXPANSION PROJECT FOR THE RECOVERED  
OIL TAX RATE, EDDY 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 21<sup>st</sup> day of June 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 Wisser Oil Company (Wisser), seeks an order pursuant to the OCD Enhanced Oil Recovery Project rule attached to Division Order No. R-9708 now set forth in OCD Rule 30 (effective 6/15/99), certifying that its State “AZ” Lease Waterflood Expansion Project in Eddy County, New Mexico is a qualified enhanced oil recovery project eligible for the recovered oil tax rate.

(4) At the time of the hearing, the applicant further requested certification pursuant to Rule 30, of a positive production response within the State “AZ” Lease Waterflood Expansion Project.

(5) The State “AZ” Lease Waterflood Expansion Project currently comprises the following described acreage in Eddy County, New Mexico:

**TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM**  
Section 16: SW/4 SW/4

(6) The State "AZ" Lease is a 40-acre tract offsetting the applicant's Skelly Unit Area Waterflood Expansion Project.

(7) This lease has been developed by the applicant in conjunction with waterflood operations within the Skelly Unit Area Waterflood Expansion Project.

(8) The applicant presented evidence and testimony in this case which demonstrate that:

- a) Wiser acquired the State "AZ" Lease from Apache Corporation in 1997. At that time, production within the State "AZ" Lease was approximately 7 barrels of oil per day and 3 barrels of water per day from two (2) active producing wells. There was no injection occurring at that time;
- b) during the period from 1997 through 1998, Wiser commenced a major development program within the Skelly Unit Area Waterflood Expansion Project and the State "AZ" Lease in an effort to increase oil recovery. This development program included:
  - i) infill drilling one (1) producing well on 20-acre spacing (this well located on the boundary between the Skelly Unit area and the State "AZ" Lease); and
  - ii) utilizing injection wells located within the Skelly Unit area to effectively waterflood the State "AZ" Lease.
- c) in November, 1998, production from the State "AZ" Lease averaged 47 barrels of oil per day and 21 barrels of water per day from three (3) active producing wells. Offset injection from the Skelly Unit area averaged 200-300 barrels of water per day.

(9) The applicant presented additional evidence which indicates that to date it has spent approximately \$325,000 on the expansion and development of the secondary recovery project within the State "AZ" Lease.

(10) The applicant requests certification of the project area on the contention that it has expanded the use of enhanced oil recovery technology within the State "AZ" Lease Waterflood Expansion Project and that such expansion has increased the size of the geologic area being flooded.

(11) NMSA 1978, Section 7-29A-3(A) states that:

Crude oil severed and sold from an enhanced recovery project or the expansion of an existing project shall qualify for the recovered oil tax rate if, before the enhanced recovery project or expansion begins operation, the division approves the project or expansion and designates the area to be affected by the project or expansion, but no project or expansion approved by the division prior to the effective date of the Enhanced Oil Recovery Act shall qualify for the recovered oil tax rate.

(12) In accordance with the above-cited statute, applications must be filed before operation begins.

(13) The applicant failed to seek certification of the State "AZ" Lease Waterflood Expansion Project as a qualified enhanced oil recovery project prior to commencing infill drilling operations and reduction in waterflood injection patterns.

(14) The application does not meet the requirements for approval set forth within NMSA 1978, Section 7-29A-3(A), and should therefore be denied.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of The Wiser Oil Company, pursuant to OCD Rule 30, for an order certifying that its State "AZ" Lease Waterflood Expansion Project in Eddy County, New Mexico is a qualified enhanced oil recovery project eligible for the recovered oil tax rate is hereby denied.

(2) Jurisdiction is hereby 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

  
LORI WROTENBERY  
Director