

30-015-29856

South 1/2 Sec 12

Block 1000

2850

5-19-68
Kurt. Speed

KL



WISER

September 4, 1997

Devon Energy Corporation
Attention: Mr. Ken Gray
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

RE: Unorthodox Locations
Skelly 400, 401, 402 and State 'AZ' 3 Wells
Skelly Unit
Eddy County, New Mexico

Gentlemen:

The Wiser Oil Company, as operator of the Skelly Unit, shall apply to the New Mexico Oil Conservation Division for administrative approval of the following unorthodox well locations.

	<u>Surface Location</u>	<u>BHL</u>	
Skelly #400	100' FSL and 260' FWL	10' FSL & 10' FWL	Section 21-17S-31E
Skelly #401	1300' FNL and 60' FWL	1300' FNL & 60' FWL	Section 28-17S-31E
Skelly #402	2625' FNL and 230' FWL	2625' FNL & 10' FWL	Section 28-17S-31E
State 'AZ' #3	10' FSL and 170' FWL	10' FSL & 10' FWL	Section 16-17S-31E

In accordance with Article 7 of our Cooperative Unit Line Injection Well and Unit Line Infill Drilling Agreement effective January 1, 1997, please indicate your waiver, as offset operator, of the above unorthodox locations by signing and returning one copy of this letter as soon as possible.

Yours very truly,
THE WISER OIL COMPANY

Lauri Block
Sr. Landman

Agreed to accept this 9th day of September, 1997.

DEVON ENERGY CORPORATION

By: Ken Gray

Name: KEN GRAY

Title: DISTRICT LANDMAN

RECEIVED

SEP 9 1997

LAND DEPARTMENT

The Wiser Oil Company

3115 Preston Road, Suite 400, Dallas, Texas 75225 Tel: 214 265 0030 Fax: 214 373 3610 Web: <http://www.wiseroil.com>

**COOPERATIVE UNIT LINE INJECTION WELL
AND UNIT LINE INFILL DRILLING AGREEMENT**

**SKELLY WATERFLOOD UNIT
TURNER "B" WATERFLOOD PROJECT**



THIS AGREEMENT is entered into by The Wiser Oil Company as Operator of the Skelly Waterflood Unit, hereafter referred to as "Wiser", and Devon Energy Corporation (Nevada), as Operator of the Turner "B" Waterflood Project, hereafter referred to as "Devon".

RECITALS:

1. Wiser is the Operator of the Skelly Waterflood Unit under the terms of the applicable Unit Agreement and the Unit Operating Agreement for said Unit (the "Unit") and the owner of 100% working interest therein.
2. Devon is the Operator of the Turner "B" Waterflood Project as approved by State of New Mexico Oil Conservation Division Order No. R-3185 (the "Project") and the owner of 100% working interest therein.
3. The Unit Area of the Skelly Waterflood Unit includes, among other lands, the W/2 W/2 of Section 21, the W/2 NW/4 and NW/4 SW/4 of Section 28, all in Township 17 South, Range 31 East, Eddy County, New Mexico, and the Project Area for the Turner "B" Waterflood Project, includes, among other lands, the E/2 E/2 of Section 20, the NE/4 SE/4 and E/2 NE/4 of Section 29, all in Township 17 South, Range 31 East, Eddy County, New Mexico.
4. Wiser and Devon desire to enter into an agreement to provide for the continued operation of existing injection wells, the reactivation of existing shut-in injection wells, and the conversion of additional wells to injection as provided in Article 1, along the common boundary of the above described lands for the injection of water into one or more of the Seven Rivers, Queen, Grayburg, and San Andres formations underlying said lands in order to enhance the recovery of hydrocarbons from their respective Unit/Project. Wiser and Devon also desire to enter into an agreement to drill up to six infill producing wells on 20 acre spacing units along the common boundary line of the Skelly Waterflood Unit and the Turner "B" Waterflood Project in accordance with Article 7 below.

NOW, THEREFORE, in consideration of the mutual benefits to be derived from the covenants and obligations herein contained, Wiser and Devon agree as follows:

ARTICLE 1

INJECTION WELLS

- 1.1 Wiser has made application before the New Mexico Oil Conservation Division to convert to injection or reactivate existing shut-in injection wells as follows:

Skelly Unit #62 Located in NW/4 NW/4 of Section 21-T17S-R31E
Skelly Unit #63 Located in SW/4 NW/4 of Section 21-T17S-R31E
Skelly Unit #69 Located in NW/4 SW/4 of Section 21-T17S-R31E
Skelly Unit #74 Located in SW/4 SW/4 of Section 21-T17S-R31E
Skelly Unit #91 Located in NW/4 NW/4 of Section 28-T17N-R31E
Skelly Unit #92 Located in SW/4 NW/4 of Section 28-T17N-R31E
Skelly Unit 100 Located in NW/4 SW/4 of Section 28-T17N-R31E

Within one hundred twenty (120) days of receipt of approval by the New Mexico Oil Conservation Division, Wiser shall convert, reactivate and equip the above wells as necessary, for the injection of water into one or more of the Seven Rivers, Queen, Grayburg, and San Andres formations. These wells shall be equipped, maintained and operated under this agreement, and the

covenants of Wisser under this agreement shall be performed at the expense of Wisser as an item of unit expense under the Unit Operating Agreement for the Skelly Waterflood Unit.

1.2 Devon, within thirty (30) days after execution of this agreement, shall make application before the New Mexico Oil Conservation Division to convert to injection or reactivate existing shut-in injection wells as follows:

Turner "B" #11 Located in SE/4 NE/4 of Section 20-T17S-R31E
Turner "B" #9 Located in NE/4 NE/4 of Section 20-T17S-R31E
Turner "B" #51 Located in NE/4 SE/4 of Section 20-T17S-R31E
Turner "B" #59 Located in NE/4 NE/4 of Section 29-T17S-R31E
Turner "B" #62 Located in NE/4 SE/4 of Section 29-T17S-R31E

Within one hundred twenty (120) days of receipt of approval by the New Mexico Oil Conservation Division, Devon shall convert, reactivate, and equip the above wells as necessary, for the injection of water into one or more of the Seven Rivers, Queen, Grayburg, and San Andres formations. These wells shall be equipped, maintained and operated under this agreement, and the covenants of Devon under this agreement shall be performed at the sole expense and risk of Devon.

1.2.1 Wisser and Devon recognize that the following Devon operated wells have previously been converted to injection and are currently injecting water into one or more of the Seven Rivers, Queen, Grayburg and San Andres formations:

Turner "B" #46 Located in SE/4 SE/4 of Section 20-T17S-R31E
Turner "B" #55 Located in SE/4 NE/4 of Section 29-T17S-R31E

The above wells shall continue to be operated in accordance with the terms of this agreement and more specifically in accordance with Article 2.2 hereof.

1.3 Well Log: Upon execution of this agreement and upon request, each party shall provide the other party with a copy of a porosity log on each of the wells contemplated by this agreement, indicating perforation depth. Each party, upon request, shall also provide the other party with details of workover operations on each of the wells, including stimulation and squeezing operations.

1.4 Replacement and Substitute Wells: It is recognized by the parties that the incremental recovery of hydrocarbons reasonably expected from each Unit/Project Area as a result of the injection operations contemplated by this agreement may not justify the drilling of a replacement well in the event a party is unable to continue operations of existing injection wells or is unable to convert its well to an injection well or to obtain governmental authorization to inject fluids into the well. If, as a result of a lack of wellbore integrity or other condition in the hole or formations penetrated, either party is unable after exercising reasonable diligence as would a prudent operator to continue operations of existing injection wells or to convert the wells described in Articles 1.1, 1.2 and 1.2.1 herein to injection wells or to obtain governmental authorization to inject fluids into the Seven Rivers, Queen, Grayburg and San Andres formations, said party shall, within thirty (30) days, notify the other party hereto in writing of the condition of such well and shall have the option but not the obligation to propose either to substitute an existing well therefor, or to drill a replacement well at a location within three hundred (300) feet of the well to be replaced.

If the notifying party has elected to drill a replacement well, it shall, within a reasonable time after giving the above described notice, begin operations for the drilling of the replacement well. If it has chosen to propose a substitute well, the remaining party hereto may either accept or reject the proposed substitute well. If the notifying party proposes a substitute well that is acceptable to the remaining party hereto, the notifying party shall drill and equip said well within one hundred twenty (120) days after receiving the remaining party's written acceptance thereof. If the remaining party hereto rejects the proposed substitute well, such remaining party shall have the option to cease operating any adjacent injection well covered by this agreement.

ARTICLE 2

OPERATION

2.1 Water Supply: Each party either has constructed or shall construct and maintain facilities necessary for delivery of water to its injection wells and shall furnish water suitable for injection therein. Each party, upon request, shall provide the other party with a water analysis of its injection water.

2.2 Injection: Except as otherwise provided in Article 1.4 herein ("Replacement and Substitute Wells"), water injection into each of the proposed conversion injection wells and re-activated injection wells shall commence within sixty (60) days after receipt of approval by the New Mexico Oil Conservation Division. Injection of water into each injection well covered by this agreement, shall be at rates and pressures mutually agreed upon, and below the fracturing pressure of the formation as determined by periodic step-rate injectivity tests. Prior to running a step-rate test, the operating pressure on the well shall be set at a level lower than the lowest fracturing pressures measured by step-rate tests in nearby injection wells completed in the formation. If the rates and pressures cannot be mutually agreed upon, the rate shall be at least 300 barrels of water a day, provided the rate does not result in a bottomhole pressure which is greater than the formation fracturing pressure. Each party, upon request, shall provide the other party details of the results of each step-rate test and any fall-off tests conducted on its wells. Each month, each party shall provide the other party with a statement showing the average daily injection rate and the average daily injection pressure, for the previous month, along with the cumulative injection volumes, for all wells within 700 feet of the common unit boundary.

2.3 Injection Profile: Each party shall run annual radioactive water tracer surveys on its wells. Each party shall, upon request, provide a copy of its injection profile logs to the other party hereto.

2.4 Metering: Each party shall be responsible, at its sole cost and expense, for installing and maintaining in good repair, appropriate pressure gauges and water meters for each of the injection wells covered by this agreement.

ARTICLE 3

INTERESTS AND OBLIGATIONS OF PARTIES

3.1 Interests of Parties: Nothing in this agreement shall be deemed to be an assignment or a cross-assignment of interests in the respective Unit/Project Areas. This agreement is entered into for the sole purpose of providing for the operation of injection and infill producing wells on the common boundary of the Unit/Project Areas to enhance the recovery of hydrocarbons from each Unit/Project Area so that the party who operates the Unit/Project Area, along with the other owners of interests in production from the Unit/Project Area, may benefit by an increase in ultimate recovery of hydrocarbons from the Unit/Project Area.

3.2 Obligations of Parties: The obligations and liabilities of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations as set out in this agreement. It is not the intention of the parties to create, nor shall this agreement be construed to create, a mining or other partnership or association, or to render the parties liable as partners.

ARTICLE 4

FORCE MAJEURE

If either party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, that party shall give to the other party prompt notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than the continuance of, the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed shall mean an act of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, failure of water supply, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE 5

NOTICES

All notices and other communications authorized or required between the parties under this agreement shall be deemed to have been given when such communications in writing shall have been received by fax or United States mail, by the party to whom the notice is given at the following address:

Wiser:

Devon:

The Wiser Oil Company
8115 Preston Road, Suite 400
Dallas, TX 75225
Attn: Matt Eagleston
Project Manager

Devon Energy Corporation (Nevada)
20 North Broadway, Suite 1500
Oklahoma City, OK 73102
Attn: Steve Cromwell
Land Manager

Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to the other party.

ARTICLE 6

EFFECTIVE DATE AND TERM OF AGREEMENT

- 6.1 Effective Date: The effective date of this agreement shall be January 1, 1997.
- 6.2 Term of Agreement: This agreement shall be in effect for a period of five (5) years after the effective date hereof and so long thereafter as the Skelly Waterflood Unit, and the Turner "B" Waterflood Project are in effect, unless earlier terminated as hereafter set forth.
- This agreement may be terminated at any time after the expiration of such five (5) year term by unanimous agreement of the parties hereto. If the parties are unable to agree, the term of this agreement shall not extend beyond ten (10) years from the cessation of operations attributable to the wells covered in Article 1 and Article 7 hereof.

ARTICLE 7

INFILL DEVELOPMENT

In order to further enhance the ultimate recovery of hydrocarbons from both the Skelly Waterflood Unit and the Turner "B" Waterflood Project, Wiser and Devon each agree to drill and operate three infill producing wells along the common boundary of the Unit/Project at the approximate locations described on Exhibit "A" attached hereto. Such wells shall be drilled and completed within one hundred eighty (180) days from the execution of this agreement. Wiser and Devon recognize that in order to be able to drill these infill wells at the proposed locations, each company will be required to obtain unorthodox location approval from the New Mexico Oil Conservation Division. Accordingly, Wiser and Devon hereby covenant to execute any waivers

necessary for the remaining party hereto to administratively obtain such unorthodox locations in accordance with applicable New Mexico Oil Conservation Division rules.

In order to share in the risks and rewards of drilling the proposed infill wells, Wiser and Devon further agree that an operating agreement between the parties, designating Devon as operator of those infill wells located on the Turner "B" Lease, and further designating Wiser as operator of those infill wells located on the Skelly Unit, which shall be executed simultaneously with this agreement, is attached hereto as Exhibit "B" and made a part hereof. Said operating agreement shall govern the drilling, completion and all other operations associated with such infill wells. Notwithstanding the current working interest ownership of the Turner "B" Waterflood Project and the Skelly Waterflood Unit as recited in paragraphs 1 and 2 above, the working interest of the parties under said operating agreement shall be:

The Wiser Oil Company	50.00%
Devon Energy Corporation (Nevada)	50.00%

The operating agreement and exhibits thereto shall become effective as of the effective date of this agreement and shall govern any operations not expressly covered by this agreement. In the event of a conflict between the terms of the Operating Agreement attached hereto as Exhibit "B" and the terms of this agreement, the terms of this agreement shall prevail. ✓

Production attributable to the Devon operated infill wells as set forth on Exhibit "A" shall be commingled into an existing Turner "B" tank battery of Devon's choice. Production attributable to the Wiser operated infill wells as set forth on Exhibit "A" shall be commingled into an existing Skelly Waterflood tank battery of Wiser's choice. Wiser and Devon agree that production from such infill wells shall be allocated based upon monthly well tests. Well testing shall be accomplished utilizing a test heater treater or test separator. Produced fluid from a well to be tested will be segregated from the field production and diverted to a test vessel where the separation of oil, gas and water will occur. Only one well shall be tested at a time. No other wells shall be allowed to produce into the test vessel when another well is being tested. Oil and water volumes exiting the vessel will be metered or sent to a test tank for direct measurement.

If metering oil volumes, meter accuracy should be at least $\pm 1.0\%$ with a repeatability of at least $\pm 0.05\%$. Oil meters should be calibrated on a quarterly basis with each party having the right, upon thirty (30) days written notice, to witness such oil meter calibrations. Any time the accuracy of a meter is in question either party with reasonable written notification may inspect the other party's oil meter at their own expense.

Gas volumes may be allocated based on the applicable Project or Unit GOR, or gas volumes may be measured using an orifice well tester connected to the gas outlet on the heater treater or test separator.

ARTICLE 8

COMPLIANCE WITH LAWS AND REGULATIONS

8.1 Laws, Regulations and Orders: This agreement shall be subject to and operations hereunder shall be conducted in compliance with the conservation laws of the State of New Mexico, the valid rules, regulations and orders of the New Mexico Oil Conservation Division and all other applicable federal, state and local laws, ordinances, rules, regulations and orders.

8.2 Governing Law: This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, nonperformance, breach, remedies, procedures, rights, duties and interpretations or construction, shall be governed and determined by the law of the State of New Mexico.

Each party hereto agrees to protect, defend, indemnify and hold harmless the other party from and against any claims, demands, causes of action, losses and/or liabilities of every kind and character arising out of, incident to, or in connection with such other party's water injection operations pursuant to the provisions of this agreement excepting, however, any claim, demand, cause of action, loss and/or liability which may result from the gross negligence or willful misconduct of such other party, its agents, officers, or employees. Such indemnity shall include, without limitation, reasonable attorney's fees, court costs and similar expenses. Each party hereby releases the other party from any liability for damages to the releasing party's interest in and to the releasing party's land described herein, arising out of, incident to, or in connection with the operations contemplated by this agreement, provided such operations are conducted in accordance with the terms and conditions of this agreement and such damage is not the result of gross negligence or willful misconduct of such other party.

ARTICLE 10

MISCELLANEOUS

10.1 Entire Agreement: This agreement embodies the entire agreement between the parties relating to the subject matter hereof and shall supersede all other agreements, assurances, conditions, covenants or terms relating hereto, whether written or verbal or antecedent or contemporaneous with the execution thereof. This agreement may be modified or amended only by an instrument in writing signed by both parties.

10.2 Captions: Captions have been inserted for reference purposes only and shall not define or limit the terms of this agreement.

10.3 Binding Effect: This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective successors, legal representatives and assigns.

WITNESS EXECUTION this 25th day of April, 1997.

ATTEST:

By: Matthew J. [Signature]

W. B. Phillips
Attorney-in-Fact

By:

[Signature]

THE WISER OIL COMPANY

ATTEST:

By: Steve Cromwell
STEVE CROMWELL
Assistant Secretary

J. M. Lacey
Vice President

By:

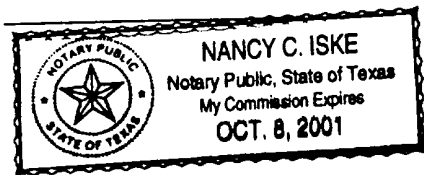
[Signature]

DEVON ENERGY CORPORATION (NEVADA)

STATE OF Texas)
) SS
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me this 25th day of April, 1997, by W.B. Phillips, President of The Wiser Oil Company, a Delaware corporation, on behalf of the corporation. Attorney-in-Fact

My Commission Expires:



Nancy C. Iske
Notary Public

STATE OF OKLAHOMA)
) SS
COUNTY OF OKLAHOMA)

The foregoing instrument was acknowledged before me this 2nd day of April, 1997, by J. M. Lacey, Vice President of Devon Energy Corporation (Nevada), a Nevada corporation, on behalf of the corporation.

My Commission Expires:

Jan 24, 1998

Aida Peter
Notary Public **AIDA PETERS**

The Wisser Oil Company
8115 Preston Road, Suite 400
Dallas, TX 75225
Attn: Matt Bagston
Project Manager

Devon Energy Corporation (Nevada)
20 North Broadway, Suite 1500
Oklahoma City, OK 73102
Attn: Steve Cromwell
Land Manager

III. PERCENTAGE WORKING INTERESTS OF THE PARTIES:

Parties		Percentage Working Interest in Contract Area
The Wisser Oil Company	50.00%	
Devon Energy Corporation (Nevada)	50.00%	
Totals	100.00%	

IV. DESCRIPTION OF COMMITTED LEASEHOLD:

Each of the Oil, Gas and Mineral Leases, or undivided interests therein, committed to this Agreement by the parties hereto and listed hereinafter are committed INSOFAR, AND ONLY INSOFAR, as each covers lands and depths within the Contract Area. All recording references are to the County Records of Eddy County, New Mexico.

A. Leases committed by The Wisser Oil Company (100%):

LESSOR	LESSEE	LEASE DATE	LESSOR ROY.	OTHER BURDENS	RECORDING REFERENCE BOOK PAGE
USA #LC-029420-B	Steddy Oil Company	4/30/38	oil - .0210000	oil - .0100000	
State of New Mexico B-1565-9	George F. Gatty Oil Company	11/20/28	gas - .1250000	ORRI	

B. Leases committed by Devon Energy Corporation (Nevada) (100%):

LESSOR	LESSEE	LEASE DATE	LESSOR ROY.	OTHER BURDENS	RECORDING REFERENCE BOOK PAGE
USA #LC-029395-B	Danaher Oil & Refining Co.	4/1/46	oil - .0210000	gas - .1250000	