

May 26, 2000

James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

*Administrative Order NSL-*****

Dear Mr. Bruce:

Reference is made to the following: (i) your joint application dated May 10, 2000 filed on behalf of **The Wiser Oil Company** ("Wiser") and **W. A. & E. R. Hudson, Inc.** ("Hudson"); (ii) a letter of application from Mr. E. Randall Hudson, III dated April 18, 2000; (iii) a telephone conversation on April 24, 2000 between Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") in Santa Fe and Mr. E. Randall Hudson, III; and (iv) the records of the Division in Santa Fe: all concerning both Wiser's and Hudson's request to drill the following described five wells at unorthodox oil well locations along lease-lines separating three waterflood projects within the Grayburg-Jackson Pool in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico:

Well Name and Number	API Number	Footage Location	Unit	Section	Dedicated 40-Acre Tract
<i>Wiser's Lea "D" Well No. 24</i>	<i>N/A</i>	<i>10' FN & EL</i>	<i>A</i>	<i>26</i>	<i>NE/4 NE/4</i>
<i>Wiser's Lea "D" Well No. 26</i>	<i>N/A</i>	<i>2630' FNL & 10' FEL</i>	<i>H</i>	<i>26</i>	<i>SE/4 NE/4</i>
<i>Wiser's Skelly Unit Well No. 403</i>	<i>30-015-31069</i>	<i>1330' FSL & 20' FEL</i>	<i>I</i>	<i>23</i>	<i>NE/4 SE/4</i>
<i>Hudson's Puckett "A" WH Well No. 1</i>	<i>30-015-31081</i>	<i>2630' FSL - 10' FWL</i>	<i>L</i>	<i>24</i>	<i>NW/4 SW/4</i>
<i>Hudson's Puckett "A" WH Well No. 2</i>	<i>30-015-31082</i>	<i>1330' FNL & 10' FWL</i>	<i>E</i>	<i>24</i>	<i>SW/4 NW/4</i>

The Division Director Finds That:

- (1) Wiser is the operator of the Skelly Grayburg-Jackson Lea "D" Waterflood Project, established by Division Order No. R-3952. The Lea "D" Federal lease and corresponding Skelly Grayburg-Jackson Lea "D" Waterflood Project Area comprise the following described acreage in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 26: NE/4, S/2 NW/4, and S/2;

- (2) Wiser is also the operator of the Grayburg-Jackson Skelly Unit Waterflood Project Area, established by Division Order No. R-2900, as amended by Order Nos. R-3214 and R-4419. Said Skelly (Federal) Unit Area and corresponding Grayburg-Jackson Skelly Unit Waterflood Project Area comprise the following described 4,160-acre,

more or less, area in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Sections 14 and 15:	All
Sections 21 through 23:	All
Section 26:	N/2 NW/4
Section 27:	N/2
Section 28:	N/2, SW/4, and N/2 SE/4;

- (3) Hudson is the operator of the Puckett "A/B" Lease Waterflood Project, established by Division Order No. R-2239. The Puckett "A" and "B" leases and corresponding waterflood project area comprise the following described acreage in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 13:	SE/4 SW/4 and S/2 SE/4
Section 24:	N/2, N/2 SW/4, SE/4 SW/4, and SE/4
Section 25:	N/2 NE/4 and NE/4 NW/4;

- (4) The Grayburg-Jackson Pool within these three projects are subject to the statewide rules and regulations for oil wells, as promulgated by Division **Rules 104.B (1) and F (1)**, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires wells to be located no closer than 330 feet to the outer boundary of the lease or unitized area (pressure maintenance/waterflood project area), nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (5) The above-described five proposed wells will serve to benefit each waterflood project by allowing for the completion of an efficient and effective production/injection pattern within this portion of the pool along these common boundary lines;
- (6) Both Wiser and Hudson have entered into a cooperative lease/Unit line development and infill drilling agreement along the section line common to Sections 23, 24, 25, and 26, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, in order to complete an efficient and effective production/injection pattern along this common boundary line;
- (7) These agreements will ensure the proper production and conservation of oil and gas from the Grayburg-Jackson Pool in the subject area, and will ensure that the parties' correlative rights are protected;
- (8) This application has been duly filed under the provisions of Division Rule 104.F, as revised; and
- (9) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and

should allow for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104 F (2), Wiser Oil Company ("Wiser") and W. A. & E. R. Hudson, Inc. ("Hudson"), as operator of its respective waterflood project, are hereby authorized to drill the following described five wells at unorthodox oil well locations to the Grayburg-Jackson Pool in Sections 23, 24, and 26, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico:

Well Name and Number	API Number	Footage Location	Unit	Section	Dedicated 40-Acre Tract
Wiser's Lea "D" Well No. 24	N/A	10' FN & EL	A	26	NE/4 NE/4
Wiser's Lea "D" Well No. 26	N/A	2630' FNL & 10' FEL	H	26	SE/4 NE/4
Wiser's Skelly Unit ✓ Well No. 403	30-015-31069	1330' FSL & 20' FEL	I	23	NE/4 SE/4
Hudson's Puckett "A" WH ✓ Well No. 1	30-015-31081	2630' FSL - 10' FWL	L	24	NW/4 SW/4
Hudson's Puckett "A" WH ✓ Well No. 2	30-015-31082	1330' FNL & 10' FWL	E	24	SW/4 NW/4

(2) The subject wells shall be governed by all applicable provisions of Division Rules 702 through 706 and the rules and procedures governing the: (i) Skelly Grayburg-Jackson Lea "D" Waterflood Project, established by Division Order No. R-3952; (ii) Grayburg-Jackson Skelly Unit Waterflood Project, established by Division Order No. R-2900, as amended by Division Orders No. R-3214 and R-4419; and (iii) Puckett "A/B" Lease Waterflood Project, established by Division Order No. R-2239.

(3) Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
U. S. Bureau of Land Management - Roswell