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July 22, 2003

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Oil Conservation Division

Hand Delivered

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: The Wiser Oil Company

Unorthodox oil well location: State AZ Well No. 3, 19'
FSL & 9' FWL (bottomhole location) of Section 16,
Township 17 South, Range 31 East, NMPM, Eddy County, New
Mexico

Dear Mr. Stogner:

I hope this letter brings to a close a long-pending administrative application.

First, enclosed is the Division's file on this matter, which you loaned me about a year ago. It contains the original application and other materials.

The original application was filed in April 1998. The well was drilled, although an order had not been entered, and produced for some time. I believe it has been shut-in for about two years, pending Division approval of the location.

The Division did not grant approval due to its obvious effects on offset acreage, and the need to allocate production among the affected leases. However, a communitization agreement has been approved by the Commissioner of Public Lands and the Bureau of Land Management. A copy of the approved communitization agreement is enclosed. Under this agreement, 1/4 of production is allocated to the one state lease, 1/4 to one federal lease, and 1/2 to the other federal lease. Thus, all royalty and overriding royalty owners will receive their proportionate share of production from the well.

Please note that the communitization agreement actually communitizes the following acreage:

Township 17 South, Range 31 East, N.M.P.M.

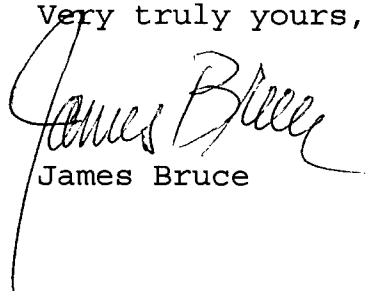
Section 16: SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ [B-1565-13]
Section 17: SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ [LC 029395(b)]
Section 20: NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ [LC 029395(b)]
Section 21: NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ [NM 98122]

The non-standard unit was formed **for purposes of communitization only** because (1) it attributes the acreage to the pertinent leases, and (2) the above 40 acres contains only the State AZ Well No. 3. Due to the large number of wells in this area which are completed in the same zone, enlarging the communitized area would include additional wells, which would complicate the (i) allocation of production among the interest owners, and (ii) accounting among the working interest owners subject to the lease line agreement (a copy of which is in the Division's file).

The communitization agreement was done solely for purposes of allocation of production, and I believe that, for purposes of the Division's records, the well unit should remain as the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 16. Please let me know if that is acceptable.

Please call me if you have any questions on this matter.

Very truly yours,



James Bruce