



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 25, 2003

Lori Wrotenbery

Director

Oil Conservation Division

(The) Wiser Oil Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-4927 (BHL) (SD)

Dear Mr. Bruce:

Reference is made to your application (*administrative application reference No. pMES0-320644930*) filed on behalf of (The) Wiser Oil Company ("Wiser") for a non-standard bottomhole infill oil well location, pursuant to Rules 104.F, 111.A (7), and 111.C (2) of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, within an existing standard 40-acre oil spacing and proration unit comprising the SW/4 SW/4 (Unit M) of Section 16, Township 17 South, Range 31 East, NMPM, Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool (28509), Eddy County, New Mexico.

The Division Director Finds That:

- (1) Wiser is 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. The 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;

- (2) Apparently Merit Energy Company ("Merit") is the current operator of the Turner "B" (Lease) Grayburg-Jackson Waterflood Project Area, established by Division Order No. R-3185, as amended by Order Nos. R-3185-A, R-3528, and R-3528-A; this waterflood area comprises the following described federal land (United States Government lease No. LC-029395-B) in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 17:	NW/4 SW/4 and S/2 S/2
Section 20:	All
Section 29:	All
Section 30:	SE/4;

- (3) The Grayburg-Jackson Pool underlying the 40 acres comprising the SW/4 SW/4 (Unit M) of Section 16, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico is a state lease (New Mexico State Land Office lease No. B-01565-13) that is operated by Wiser;
- (4) The Grayburg-Jackson Pool within both Wiser's Grayburg-Jackson Skelly Unit Waterflood Project Area and Merit's Turner "B" (Lease) Grayburg-Jackson Waterflood Project Area are subject to the statewide rules and regulations for oil wells within secondary recovery projects, set forth in Division Rules 104.B (1) and F (1), which provides for 40-acre oil spacing and proration units and requires wells 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 Grayburg-Jackson Pool within Wiser's State "AZ" lease is subject to Division Rule 104.B (1) which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such 40-acre unit;
- (6) The SW/4 SW/4 (Unit M) of Section 16, being a standard 40-acre oil spacing and proration unit in the Grayburg-Jackson Pool, is currently dedicated to Wiser's: (i) State "AZ" Well No. 1 (API No. 30-015-05163), located at a standard oil well location 990 feet from the South and West lines of Section 16; and (ii) State "AZ" Well No. 2 (API No. 30-015-05175), located at a standard oil well location 330 feet from the South line and 990 feet from the West line of Section 16;
- (7) It is the Division's understanding that Wiser directionally drilled its State "AZ" Well No. 3 (API No. 30-015-29969), from a surface location 10 feet from the South line and 170 feet from the West line (Unit M) of Section 16 to a depth of 3,759 feet and has completed this well in the Grayburg-Jackson Pool at an unorthodox subsurface infill oil well location 19 feet from the South line and 9 feet from the West line (Unit M) of Section 16;
- (8) It is further understood that Wiser, Merit, the New Mexico State Land Office, and the U. S. Bureau of Land Management have entered into an agreement that provides for the allocation of proceeds from Grayburg-Jackson oil production from Wiser's State "AZ" Well No. 3 in the following manner:
 - (a) 25% attributed to Wiser's State "AZ" lease;
 - (b) 25% attributed to Wiser's Grayburg-Jackson Skelly (federal) Unit Waterflood Project; and
 - (c) 50% attributed to Merit's Turner "B" (federal Lease) Grayburg-Jackson Waterflood Project;

- (9) This allocation formula for the proceeds serves to benefit all mineral interests impacted by this well's drainage, the two secondary recovery projects, and the subject 40-acre oil spacing and proration unit by allowing the two operators to mutually complete an efficient and effective production/injection pattern in the immediate area around the survey point common to the SW/4 SW/4 of Section 16, SE/4 SE/4 of Section 17, NE/4 NE/4 of Section 20, and the NW/4 NW/4 of Section 21, all in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico; and
- (10) 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) Pursuant to Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, the administrative application of (The) Wiser Oil Company ("Wiser") (*reference No. pMES0-320644930*) for its existing State "AZ" Well No. 3 (API No. 30-015-29969), located on the surface 10 feet from the South line and 170 feet from the West line (Unit M) of Section 16, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, and completed in the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool (28509) at an unorthodox subsurface infill oil well location 19 feet from the South line and 9 feet from the West line (Unit M) of Section 16, is hereby approved.

(2) For the Division's production reporting, prorationing, and well spacing purposes, Grayburg-Jackson Pool production from the above-described State "AZ" Well No. 3 is to be simultaneously dedicated, with the following two wells, to the SW/4 SW/4 (Unit M) of Section 16, being a standard 40-acre oil spacing and proration unit in this pool:

- (a) Wiser's State "AZ" Well No. 1 (API No. 30-015-05163), located at a standard oil well location 990 feet from the South and West lines of Section 16; and
- (b) Wiser's State "AZ" Well No. 2 (API No. 30-015-05175), located at a standard oil well location 330 feet from the South line and 990 feet from the West line of Section 16.

(3) The distribution of proceeds from Grayburg-Jackson production from the State "AZ" Well No. 3 is to be allocated as follows:

- (a) 25% attributed to Wiser's State "AZ" lease (New Mexico State Land Office lease No. B-01565-13);
- (b) 25% attributed to Wiser's Grayburg-Jackson Skelly (federal) Unit Waterflood Project; and

(The) Wiser Oil Company

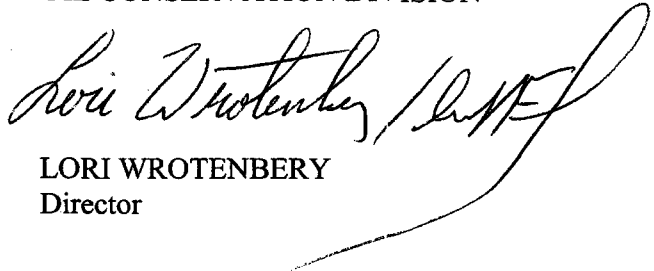
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- (c) 50% attributed to Merit Oil Company's Turner "B"
(federal Lease - United States Government lease No. LC-
029395-B) Grayburg-Jackson Waterflood Project.
- (4) Wiser shall further comply with all provisions of Division Rule 111 applicable in this matter.
- (5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

LW/mes

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