

**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. 12149  
Order No. R-11212**

**APPLICATION OF THE WISER OIL COMPANY TO QUALIFY THE LEA "D"  
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 Wiser Oil Company (Wiser), 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 Lea "D" 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 Lea "D" Lease Waterflood Expansion Project.

(5) The Lea "D" Lease Waterflood Expansion Project currently comprises the following described acreage in Eddy County, New Mexico:

**TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM**

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

(6) Pursuant to the application of Skelly Oil Company, a waterflood project within the Lea "D" Lease was approved by Division Order No. R-3952 on April 22, 1970.

(7) Waterflood operations continued within the Lea "D" Lease from approximately 1970 through 1988.

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

- a) Wiser acquired the Lea "D" Lease from Apache Corporation in 1997. At that time, production within the Lea "D" Lease was approximately 5 barrels of oil per day and 1 barrel of water per day from one (1) active producing well. There was no injection occurring at that time;
- b) during the period from 1997 through 1998, Wiser commenced a major development program within the Lea "D" Lease in an effort to increase oil recovery. This development program included:
  - i) infill drilling six (6) producing wells on 20-acre spacing; and
  - ii) converting or re-activating seven (7) wells to active injection status;
- c) the injection rate within the Lea "D" Lease increased from December, 1997 through 1998, at which time full injection within the area was achieved; and
- d) in November, 1998, production from the Lea "D" Lease averaged 84 barrels of oil per day and 374 barrels of water per day from six (6) active producing wells. Injection averaged 1,173 barrels of water per day into seven (7) active injection wells.

(9) The applicant presented additional evidence which indicates that to date it has spent approximately \$2.0 million on the expansion and development of the secondary recovery project within the Lea "D" 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 Lea "D" 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 Lea "D" 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.

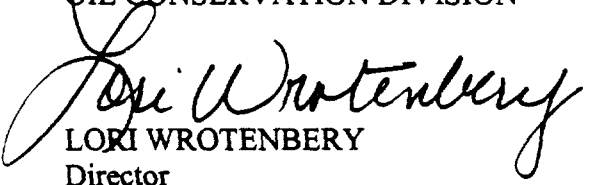
**IT IS THEREFORE ORDERED THAT:**

(1) The application of The Wiser Oil Company, pursuant to OCD Rule 30, for an order certifying that its Lea "D" 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

S E A L