

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12426
ORDER NO. R-11434-A**

**APPLICATION OF SOUTHWEST ROYALTIES, INC. FOR A NON-STANDARD
GAS SPACING AND PRORATION UNIT AND AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO, *DE NOVO*.**

ORDER OF THE COMMISSION

THIS MATTER, having come before the New Mexico Oil Conservation Commission (hereinafter referred to as "the Commission") on this 16th day of February, 2001, *de novo*, on application of Southwest Royalties, Inc. for a non-standard gas spacing and proration unit and an unorthodox gas well location, Lea County, New Mexico, and the Commission, having conducted a hearing on the application on November 8, 2000, during which testimony and evidence was received from the applicant, and having received and reviewed additional evidence from the applicant (by letter of December 8, 2000),

FINDS:

(1) Due notice has been given and the Commission has jurisdiction of this case and its subject matter.

(2) The applicant, Southwest Royalties, Inc. (hereinafter referred to as "Southwest"), seeks an exception to the well location and spacing requirements of the Special Rules and Regulations for the Scarborough Yates-Seven Rivers Pool.¹ Southwest seeks an exception so that it may: (a) form a non-standard 200-acre gas spacing and proration unit comprising the S/2 NE/4, NE/4 SE/4 and S/2 SE/4 of Section 30, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico; and (b) dedicate this unit to its existing Eaves "B" Well No. 20 (**API No. 30-025-32274**), located at an unorthodox location 1414 feet from the South line and 429 feet from the East line (Unit I) of Section 30.

¹ These rules were adopted on November 23, 1965 by Order No. R-2999 of the Oil Conservation Division (Case No. 3316).

(3) Rules 3 and 6 of the Special Rules and Regulations for Scarborough Yates-Seven Rivers Pool permit production from a 640-acre gas spacing and proration unit from a well located no closer than 1980 feet to the outer boundary of the section, and no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary

(4) The Division, in Order No. R-11434, denied the application of Southwest. The applicant requested review by this body *de novo* pursuant to the provisions of the NMSA 1978, § 70-2-13 (Repl. 1995).

(5) The Eaves "B" Well No. 20 was temporarily abandoned in June of 1997 and previously produced oil from the Seven Rivers formation. Southwest proposes to recomplete this well uphole and produce natural gas from the Scarborough Yates-Seven Rivers Pool. The Eaves "B" Well No. 20 is intended as a salvage well from which Southwest may recoup its investment in other nonproductive wells in Section 30.

(6) The Eaves "B" Well No. 20 is located at an unorthodox location 1414 feet from the South line and 429 feet from the East line (Unit I) of Section 30. The Division, on August 30, 1998, approved its unorthodox location for purposes of its oil production.²

(7) All producing wells except one within Section 30 are either plugged and abandoned or temporarily abandoned; the one producing well is the Eaves "B" Well No. 8 (**API No. 30-025-20001**), which is producing oil from the Seven Rivers formation. If the application is granted, Southwest plans to plug and abandon or temporarily abandon this well.

(8) Production from wells in offsetting sections 25, 31 and 36 has ceased. Southwest operated wells in Section 25, but all are in the process of being plugged and abandoned. The wells in Sections 31 and 36 have been plugged and abandoned.

(9) There is significant natural gas production in offsetting Sections 29 and 32. The Parker "A" Federal Well No. 1 (**API No. 30-025-12077**) in Section 29 produces natural gas strongly from the Scarborough Yates-Seven Rivers Pool and has produced approximately 12 Bcf to date. Other wells in that section have also produced natural gas. Wells located in Section 32 have cumulatively produced approximately 2 Bcf of natural gas to date.

² See Order No. R-9949 (Case No. 6337).

(10) The evidence of significant natural gas production from the Parker "A" Federal Well No. 1 and from other wells in Sections 29 and 32, together with the structure map and other exhibits and documents submitted to the Commission, demonstrate that an opportunity exists at the location of the Eaves "B" Well No. 20 for production of natural gas.

(11) The evidence presented by Southwest shows that additional reserves of natural gas will be recovered from Section 30 if the application is granted; if the application is not granted, the additional reserves may never be recovered.

(12) The evidence presented by Southwest shows that in the absence of production from Section 30, it is likely that drainage from the offsetting Parker "A" Federal Well No. 1 would ultimately drain some natural gas from Southwest's acreage, violating Southwest's correlative rights.

(13) The evidence presented by Southwest shows the amount of natural gas present in Section 30 does not justify drilling of an additional well; feasible recovery can only be accomplished from an existing well.

(14) The evidence presented by Southwest shows that wells in the pool do not presently drain 640 acres.

(15) The evidence presented by Southwest shows that orderly development of the pool would not be affected were Southwest's application to be granted; the evidence shows the Eaves "B" Well No. 20 will be produced to depletion and further development of Section 30 is unlikely.

(16) The evidence presented by Southwest shows force-pooling the remaining properties in Section 30 would dilute Southwest's interests to the extent that any rework and production from the Eaves "B" Well No. 20 would be uneconomical.

(17) The evidence presented by Southwest shows that granting the application will prevent underground waste as that phrase is defined in NMSA 1978, § 70-2-3(A), will protect Southwest's correlative rights and will not impair the correlative rights of other operators in the pool.

(18) Offset operator Gruy Petroleum Management Company has no objection to the application. Offset operators Conoco Inc. and McCasland Management were notified by certified mail of the pending application and were also orally notified by Southwest.

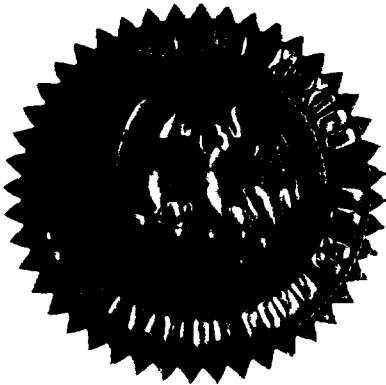
(19) No objections to the application have been received and no one appeared at the hearing of November 8, 2000 to oppose the application.

IT IS THEREFORE ORDERED, AS FOLLOWS:

(20) The application of Southwest Royalties, Inc. for an exception to the well location and spacing requirement of the Special Rules and Regulations for the Scarborough Yates-Seven Rivers Pool to form a non-standard 200-acre spacing and proration unit comprising the S/2 NE/4, NE/4 SE/4 and S/2 SE/4 of Section 30, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, and to dedicate this unit to its existing Eaves "B" Well No. 20 (API No. 30-025-32274) located at an unorthodox gas well location 1414 feet from the South line and 429 feet from the East line (Unit I) of Section 30, is hereby **granted**.

(21) 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 16th day of February, 2001.



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**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY, Member

A handwritten signature in cursive script, appearing to read "Robert L. Lee".

ROBERT L. LEE, Member

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery".

LORI WROTENBERY, Chairman