

NSL 3/8/00

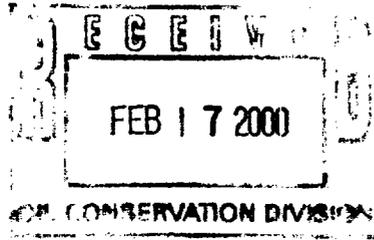


SOUTHWEST ROYALTIES

SOUTHWEST ROYALTIES, INC.
Southwest Royalties Building
407 N. Big Spring, Midland, TX. 79701-4326
P.O. Box 11390, Midland, TX. 79702-8390
(915) 686-9927 1-800-433-7945

February 10, 2000

Mr. Michael Stogner
New Mexico Oil Conservation Commission
2040 Pacheo
Santa Fe, New Mexico 87504



Re: Application for Unorthodox Gas Well Location
Eaves "B" Well No. 20
Scarborough Yates-Seven Rivers Field
(Created by Order No. R-2999 12/01/65)
429' FEL, 1414' FSL
Section 30, T26S, R37E
Lea County, New Mexico

Case 1-926

Dear Mr. Stogner,

Southwest Royalties, Inc. respectfully requests your approval of this administrative application for an Unorthodox Gas Well Location.

Southwest Royalties, Inc. is planning to complete the subject temporarily abandoned Seven Rivers oil well as a Yates gas well in the Scarborough Yates-Seven Rivers Pool. The Eaves "B" lease covers 280 acres in Section 30 (240 acres are contiguous). 200 acres of the 240 contiguous acres are in the Scarborough Field. Eaves "B" No. 8 is the only active well on the lease at this time. No. 8 is a Seven Rivers oil well, which is producing with a high volume submersible pump. Well No. 20 was chosen for recompletion as it is a modern completion having been drilled and completed in the deeper Seven Rivers formation in October 1993. If the Yates completion in No. 20 is successful No. 8 will be temporarily abandoned.

The offset operator plat shows that Conoco, Gruy Petroleum Management, Dallas McCasland, as well as Southwest Royalties, Inc. have leases that could be affected by the unorthodox location.

This work is necessary to prevent waste of Yates gas reserves, and to protect Southwest Royalties, Inc. correlative rights, i.e. Yates gas has been produced from wells in the offset section 29. A copy of this letter and attachments has been furnished by Certified Mail to the offset operators as notice of this application.

If you have any questions or require additional information, please contact the undersigned at (915) 686-9927 or by e-mail at Marty_B@SWRINC.COM .

Sincerely,

C. M. "Marty" Bloodworth, P. E.
Area Supervisor

xc: CMB file
Well file
Operators

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address SOUTHWEST ROYALTIES, INC. P. O. BOX 11390 MIDLAND, TX 79702		² OGRID Number 021355
		³ API Number 30 - 025 32274
⁴ Property Code 18097	⁵ Property Name EAVES B	⁶ Well No. 20

⁷Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
I	30	26S	37E		1414	SOUTH	429	EAST	LEA

⁸Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
⁹ Proposed Pool 1 SCARBOROUGH (YATES-7RIVERS)					¹⁰ Proposed Pool 2				

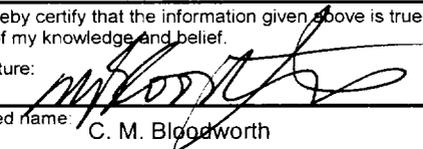
¹¹ Work Type Code 	¹² Well Type Code 	¹³ Cable/Rotary 	¹⁴ Lease Type Code 	¹⁵ Ground Level Elevation 2938
¹⁵ Multiple 	¹⁷ Proposed Depth 	¹⁸ Formation 	¹⁹ Contractor 	²⁰ Spud Date

²¹Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
14-3/4	10-3/4	40.5	556	450	CIRC TO SURF
9-7/8	7-5/8	26.4	3379	775	200'

²²Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

PERFORATE FROM 2789' - 2899' OA. BREAK PERFORATIONS WITH ACID & STIMULATE PERFORATIONS WITH A FRACTURE TREATMENT. SHOULD THIS ZONE BE PRODUCTIVE OF GAS ALL THE OIL WELLS ON THIS LEASE WILL BE TA'ed.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: 		Approved By:	
Printed name: C. M. Bloodworth		Title:	
Title: Area Supervisor		Approval Date:	Expiration Date:
Date: 02-07-00	Phone: 915 686-9927	Conditions of Approval: Attached: <input type="checkbox"/>	

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 35-025-32274		2 Pool Code 55560		3 Pool Name Scarborough Yates-Seven Rivers	
4 Property Code 18097		5 Property Name Eaves B			6 Well Number 20
7 OGRID No. 021355		8 Operator Name Southwest Royalties, Inc.			9 Elevation 2938

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
I	30	26S	37E		1414	South	429	East	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County

12 Dedicated Acres 200.00	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p> <p>Scarborough Field Southwest Royalties GPU</p> <p>Eaves "B" lease</p> <p>"B"</p> <p>30</p> <p>"B"</p> <p>"B"</p> <p>"B"</p> <p>"B"</p> <p>"B"</p> <p>1414</p> <p>429</p> <p>20</p> <p>8</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Marty Bloodworth</i></p> <p>Signature Marty Bloodworth Printed Name Area Supervisor Title 02-09-00 Date</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey Signature and Seal of Professional Surveyer:</p> <p>Certificate Number</p>

New Mexico Oil Conservation Division
C-102 Instructions

IF THIS IS AN AMENDED REPORT, CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed contact the appropriate OCD district office. Independent subdivision surveys will not be acceptable.

1. The OCD assigned API number for this well
2. The pool code for this (proposed) completion
3. The pool name for this (proposed) completion
4. The property code for this (proposed) completion
5. The property name (well name) for this (proposed) completion
6. The well number for this (proposed) completion
7. Operator's OGRID number
8. The operator's name
9. The ground level elevation of this well
10. The surveyed surface location of this well measured from the section lines. NOTE: If the United States government survey designates a Lot Number for this location use that number in the 'UL or lot no.' box. Otherwise use the OCD unit letter.
11. Proposed bottom hole location. If this is a horizontal hole indicate the location of the end of the hole.
12. The calculated acreage dedicated to this completion to the nearest hundredth of an acre
13. Put a Y if more than one completion will be sharing this same acreage or N if this is the only completion on this acreage
14. If more than one lease of different ownership has been dedicated to the well show the consolidation code from the following table:

C	Communitization
U	Unitization
F	Forced pooling
O	Other
P	Consolidation pending

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION!

15. Write in the OCD order(s) approving a non-standard location, non-standard spacing, or directional or horizontal drilling

16. This grid represents a standard section. You may superimpose a non-standard section over this grid. Outline the dedicated acreage and the separate leases within that dedicated acreage. Show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. (Note: A legal location is determined from the perpendicular distance to the edge of the tract.) If this is a high angle or horizontal hole show that portion of the well bore that is open within this pool.

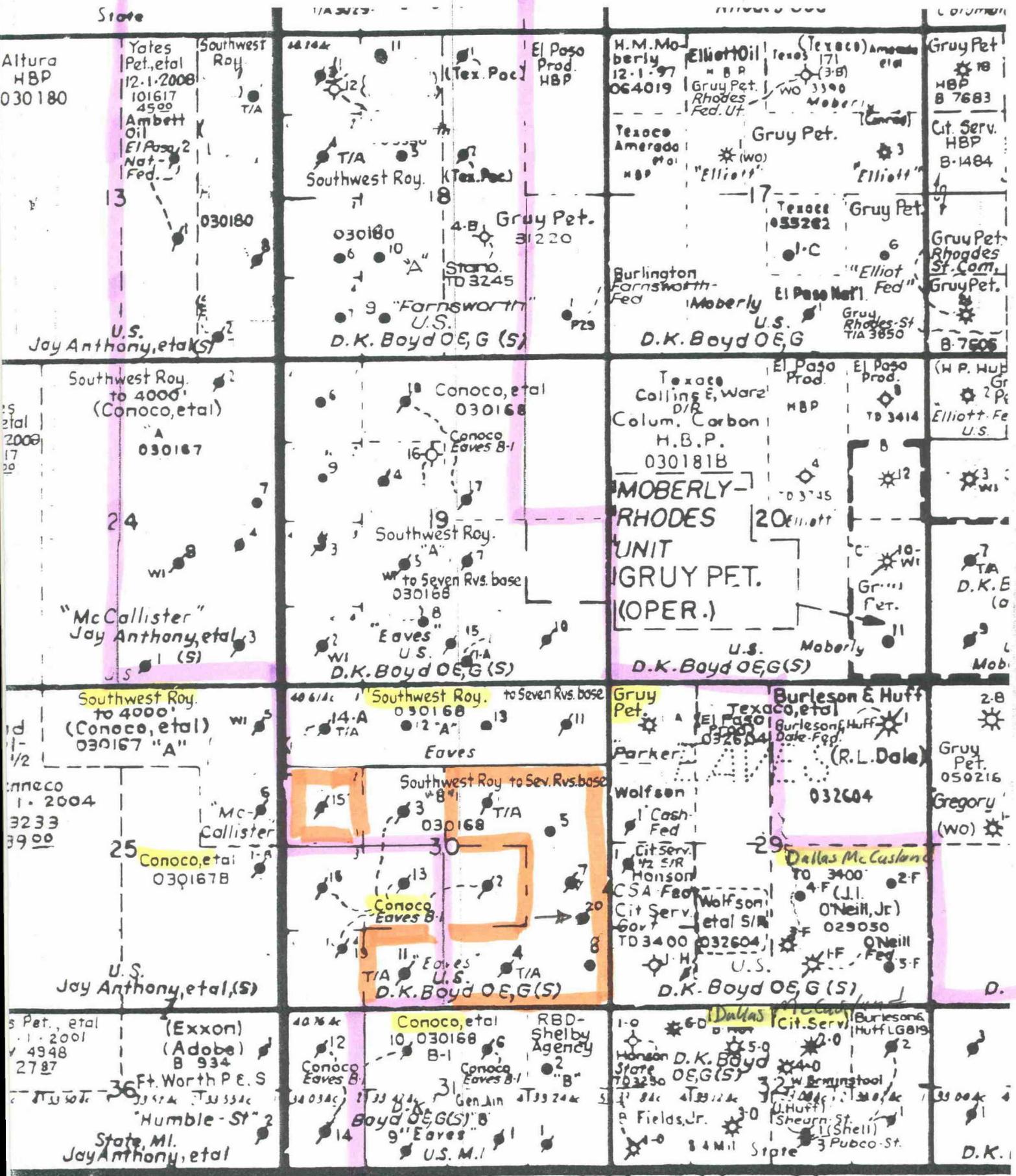
Show all lots, lot numbers, and their respective acreage.

If more than one lease has been dedicated to this completion, outline each one and identify the ownership as to both working interest and royalty.

17. The signature, printed name, and title of the person authorized to make this report, and the date this document was signed.
18. The registered surveyors certification. This section does not have to be completed if this form has been previously accepted by the OCD and is being filed for a change of pool or dedicated acreage.

Scarborough Field

Southwest Royalties, Inc. **Eaves B**
 Offset operators



February 10, 2000

**Eaves "B" Well No. 20
Scarborough Yates-Seven Rivers Pool
429' FEL, 1414' FSL
Unit I, Section 30, T26S, R37E
Lea County, New Mexico**

Re: Unorthodox Location Notice

Notice provided by Certified Mail To the following:

Gruy Petroleum Management
P. O. Box 140907
Irving, Texas 75014

McCasland Management
P. O. Box 755
Hobbs, New Mexico 88241

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

OCD - DISTRICT IV
2040 S. PACHECO
SANTA FE, NM 87505

4a. Article Number

Z 330 571 174

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

102595-98-B-0229

Domestic Return Receipt

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Gray Petroleum Management
PO Box 140907
Irving, TX. 75014

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X

- Agent
- Addressee

D. Is delivery address different from item 1?

If YES, enter delivery address below:

- Yes
- No

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

- Yes

2. Article Number (Copy from service label)

Z 330 571 200

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by (Please Print Clearly)	B. Date of Delivery
1. Article Addressed to: McCasland Management PO Box 755 Hobbs, New Mexico 88241	C. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
2. Article Number (Copy from service label) 2150343146	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
PS Form 3811, July 1999	Domestic Return Receipt	102595-99-M-1789

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by (Please Print Clearly)	B. Date of Delivery
1. Article Addressed to: Conoco Inc. 10 Desta Dr., Ste. 100W Midland, TX 79705	C. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
2. Article Number (Copy from service label) 2150343147	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
PS Form 3811, July 1999	Domestic Return Receipt	102595-99-M-1789

Is your RETURN ADDRESS completed on the reverse side?	SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
	3. Article Addressed to: <p style="text-align: center;">BLM 414 W. TAYLOR HOBBS, NM 88240</p>		4a. Article Number <p style="text-align: center;">2330571196</p>	
			4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
	5. Received By: (Print Name)		7. Date of Delivery	
6. Signature: (Addressee or Agent) <p style="text-align: center;">X</p>		8. Addressee's Address (Only if requested and fee is paid)		
PS Form 3811, December 1994		102595-98-B-0229 Domestic Return Receipt		

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?	SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
	3. Article Addressed to: <p style="text-align: center;">BLM 2909 W. 2nd ROSWELL, NM 88201</p>		4a. Article Number <p style="text-align: center;">2150343148</p>	
			4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
	5. Received By: (Print Name)		7. Date of Delivery	
6. Signature: (Addressee or Agent) <p style="text-align: center;">X</p>		8. Addressee's Address (Only if requested and fee is paid)		
PS Form 3811, December 1994		102595-98-B-0229 Domestic Return Receipt		

Thank you for using Return Receipt Service.

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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

NMOCD
1625 N. French Drive
Hobbs, NM 88240

4a. Article Number

P497459696

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.