

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

**APPLICATION OF SOUTHWEST ROYALTIES, INC.
FOR APPROVAL OF EXPANSION OF
PRESSURE MAINTENANCE PROJECT,
LEA COUNTY, NEW MEXICO**

Case No. 21047

**SOUTHWEST ROYALTIES, INC.'S
PRE-HEARING STATEMENT**

Southwest Royalties, Inc. ("SRI") submits its Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division ("Division").

APPEARANCES

SRI is the applicant in this case. Its business address is P.O. Box 53570, Midland, TX 79710. SRI is represented by the undersigned counsel.

STATEMENT OF THE CASE

SRI seeks authorization to expand the Flying 'M' San Andres Pressure Maintenance Project area to include the NE/4 of Section 31, Township 9 South, Range 33 East in Lea County and convert the following producing wells to injection wells: Flying 'M' SA Unit #131 (API No. 30-025-20561), McGuffin #3 (API No. 30-025-24694), and Gonsales 31 Federal #2 (API No. 30-025-24004). The Flying 'M' SA Unit #131 well is located within the current Project area at 1978' FNL and 1993' FWL in Unit F in Section 21, Township 9 South, Range 33 East. The proposed injection interval is located in the San Andres formation at a depth of 4,456 to 4,518 feet, and the proposed maximum injection rate is 600 barrels per day at a maximum injection pressure of 800 psig. The McGuffin #3 well is located within the current Project area at 660' FNL and 1980' FWL

in Unit C in Section 29, Township 9 South, Range 33 East. The proposed injection interval is located in the San Andres formation at a depth of 4,354 to 4,422 feet, and the proposed maximum injection rate is 600 barrels per day at a maximum injection pressure of 800 psig. The Gonsales 31 Federal #2 well is located within the expanded Project area at 1980' FNL and 660' FEL in Unit H in Section 31, Township 9 South, Range 33 East. The proposed injection interval is located in the San Andres formation at a depth of 4,261 to 4,294 feet, and the proposed maximum injection rate is 600 barrels per day at a maximum injection pressure of 800 psig. The granting of SRI's application will serve the interests of conservation, the prevention of waste, and the protection of correlative rights.

PROPOSED EVIDENCE

| <u>WITNESS</u> | <u>ESTIMATED TIME</u> | <u>EXHIBITS</u> |
|--|-----------------------|-----------------|
| Todd M. Yocham (Petroleum Engineer) | 20 minutes | Approximately 4 |
| Tanner P. Culp (Petroleum Engineer) | 10 minutes | Approximately 4 |

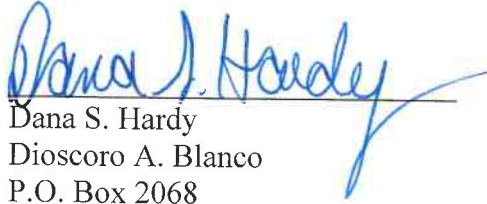
SRI reserves the right to call a rebuttal witness(es) if appropriate.

PROCEDURAL MATTERS

SRI is not aware of any procedural issues to be addressed at this time.

Respectfully submitted,

HINKLE SHANOR LLP

A handwritten signature in blue ink, appearing to read "Dana S. Hardy", is written over a horizontal line.

Dana S. Hardy

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