

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

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

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on July 13, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 3rd day of August, 2000, 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) The applicant, Southwest Royalties, Inc. ("Southwest"), seeks an exception to the well location (Rule 3) and spacing (Rule 6) requirements provided within the "*Special Rules and Regulations for the Scarborough Yates-Seven Rivers Pool*," set forth in Division Order No. R-2999, issued in Case No. 3316 and dated November 23, 1965, for: (i) the formation of 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 (ii) the dedication of 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.

(3) Rules 3 and 6 of the "*Special Rules and Regulations for Scarborough Yates-Seven Rivers Pool*" currently require standard 640-acre gas spacing and proration units with wells to be 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) Rules 2 and 5 of the "*Special Rules and Regulations for Scarborough Yates-Seven Rivers Pool*" currently require standard 40-acre oil spacing and proration units with wells to be located no than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(5) The applicant testified that there has never been a gas well in the Scarborough Yates-Seven Rivers Pool spaced on 640 acres.

(6) The applicant presented evidence that the following wells within the Scarborough Yates-Seven Rivers Pool were permitted as gas wells with less than 640-acre dedication:

(a) pursuant to Division Order No. R-683, dated July 14, 1955, the Gruy Petroleum Management Company, Parker A Federal Well No. 1 (API No. 30-025-1077), located in Unit D of Section 29, Township 26 South, Range 37 East, NMPM, having 320-acre dedication, and currently active;

(b) pursuant to Division Administrative Order No. NSP-468, dated January 30, 1959, the McCasland Management, Inc., State O Well No. 3 (API No. 30-025-12094), located in Lot 3 of Section 32, Township 26 South, Range 37 East, NMPM, having 153.12-acre dedication, and currently shut-in;

(c) the McCasland Management, Inc., State O Well No. 4 (API No. 30-025-25633), located in Unit B of Section 32, Township 26 South, Range 37 East, NMPM, having 40-acre dedication, and currently active;

(d) the McCasland Management, Inc., State O Well No. 5 (API No. 30-025-25668), located in Unit C of Section 32, Township 26 South, Range 37 East, NMPM, having 40-acre dedication, and currently shut-in;

(e) the McCasland Management, Inc., State O Well No. 6 (**API No. 30-025-25774**), located in Unit D of Section 32, Township 26 South, Range 37 East, NMPM, having 40-acre dedication, and currently shut-in; and

(f) pursuant to Division Administrative Order No. NSP-503, dated September 14, 1959, the Melzer and Henderson, Federal F Well No. 1, located in Lot 2 of Section 32, Township 26 South, Range 37 East, NMPM, having 160-acre dedication, and currently plugged and abandoned.

(7) Division records indicate that the above described Parker A Federal Well No. 1, State O Well No. 3 and Federal F Well No. 1 were permitted as gas wells with less than 640-acre spacing prior to the Scarborough Yates-Seven Rivers special pool rules.

(8) Additionally, Division records indicate that the above-described McCasland Management, Inc. State O Well No. 4, McCasland Management, Inc. State O Well No. 5 and McCasland Management, Inc. State O Well No. 6 are not gas wells with less than 640-acre spacing, but oil wells that were properly spaced pursuant to Division Order No. R-2999.

(9) The Scarborough Yates-Seven Rivers Pool currently comprises the following described area:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

Section 12: E/2  
Section 13: E/2  
Section 24: E/2  
Section 25: E/2  
Section 36: NE/4

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 6: SW/4 SW/4  
Section 7: W/2 E/2, W/2  
Section 18: W/2 NE/4, W/2, SE/4  
Section 19: W/2 NE/4, W/2, SE/4  
Sections 29 through 33: All.

(e) the McCasland Management, Inc., State O Well No. 6 (API No. 30-025-25774), located in Unit D of Section 32, Township 26 South, Range 37 East, NMPM, having 40-acre dedication, and currently shut-in; and

(f) pursuant to Division Administrative Order No. NSP-503, dated September 14, 1959, the Melzer and Henderson, Federal F Well No. 1, located in Lot 2 of Section 32, Township 26 South, Range 37 East, NMPM, having 160-acre dedication, and currently plugged and abandoned.

(7) Division records indicate that the above described Parker A Federal Well No. 1, State O Well No. 3 and Federal F Well No. 1 were permitted as gas wells with less than 640-acre spacing prior to the Scarborough Yates-Seven Rivers special pool rules.

(8) Additionally, Division records indicate that the above-described McCasland Management, Inc. State O Well No. 4, McCasland Management, Inc. State O Well No. 5 and McCasland Management, Inc. State O Well No. 6 are not gas wells with less than 640-acre spacing, but oil wells that were properly spaced pursuant to Division Order No. R-2999.

(9) The Scarborough Yates-Seven Rivers Pool currently comprises the following described area:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

Section 12: E/2  
Section 13: E/2  
Section 24: E/2  
Section 25: E/2  
Section 36: NE/4

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 6: SW/4 SW/4  
Section 7: W/2 E/2, W/2  
Section 18: W/2 NE/4, W/2, SE/4  
Section 19: W/2 NE/4, W/2, SE/4  
Sections 29 through 33: All.

(10) By Division Order No. R-9949, issued in Case No. 6337 and dated August 30, 1998, the Division, upon application of Hal J. Rasmussen Operating, Inc., approved the Eaves "B" Well No. 20 at an unorthodox oil well location in the Scarborough Yates-Seven Rivers Pool 1414 feet from the South line and 429 feet from the East line (Unit I) of Section 30.

(11) In June of 1997, Southwest temporarily abandoned the Eaves "B" Well No. 20.

(12) Southwest's evidence in support of its application does not indicate that additional reserves will be recovered that would otherwise be unrecoverable, or that correlative rights are being protected.

(13) Southwest did not present any evidence indicating that the wells in the Scarborough Yates-Seven Rivers Pool could not drain 640 acres.

(14) The creation of a 200-acre non-standard gas spacing and proration unit in the S/2 NE/4, NE/4 SE/4 and S/2 SE/4 of Section 30 would:

(a) promote disorderly pool development by leading to the formation of additional non-standard gas spacing and proration units in Section 30;

(b) result in economic waste by encouraging the drilling of unnecessary wells in Section 30 as a result of the formation of additional non-standard gas spacing and proration units; and

(c) cause inequitable drainage allowing more than one well per 640-acres.

(15) Further, the proposed unorthodox gas well location does not appear to protect the correlative rights of the "affected persons."

(16) Southwest did not present any evidence as to why forced pooling in this case is not an option.

(17) No affected party appeared at the hearing or objected to this application.

(18) Based on the evidence presented, Southwest's request does not appear to be based on drainage, but on leases held by Southwest. Additionally, Southwest's

request appears to be made only for the purpose of avoiding the one well per 640-acres limit, appears to promote waste, does not serve to protect correlative rights, promotes the drilling of unnecessary wells and should therefore be denied.

**IT IS THEREFORE ORDERED THAT:**

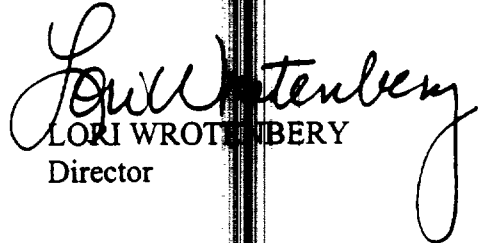
(1) The application of Southwest Royalties, Inc., seeking an exception to the well location (Rule 3) and spacing (Rule 6) requirements provided within the "*Special Rules and Regulations for the Scarborough Yates-Seven River Pool*," set forth in Division Order No. R-2999, issued in Case No. 3316 and dated November 23, 1965, for: (i) the formation of a non-standard 200-acre gas spacing and production 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 (ii) the dedication of 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 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 herein above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTEBERY  
Director

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE  
OIL CONSERVATION COMMISSION ON ITS OWN MOTION  
FOR CREATION OF THE SCARBOROUGH YATES-SEVEN  
RIVERS POOL AND FOR SPECIAL POOL RULES, LEA  
COUNTY, NEW MEXICO.

CASE No. 3316  
Order No. R-2999  
NOMENCLATURE

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 6, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 23rd day of November, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-2947, the Commission established a top unit allowable of 128 barrels of oil per day for wells completed in the Yates formation in Section 31, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That said allowable was established pending a more definite determination of the horizontal limits of the Jalmat Gas Pool in Lea County, New Mexico, and the Scarborough Pool in Winkler County, Texas.

(4) That pursuant to the provisions of Order No. R-2947, further studies have been conducted to define the horizontal limits of these pools.

(5) That a new pool should be created in Lea County, New Mexico, and designated the Scarborough Yates-Seven Rivers Pool;

that said pool is a separate common source of supply in New Mexico and is a portion of the common source of supply designated the Scarborough Pool in Winkler County, Texas.

(6) That special rules and regulations should be promulgated for the Scarborough Yates-Seven Rivers Pool in order to prevent waste and protect correlative rights.

(7) That oil wells completed in the Scarborough Pool in Winkler County, Texas, receive a per-acre allowable greater than the per-acre allowable that would be assigned under the Commission's General Rules and Regulations to oil wells completed in the Scarborough Yates-Seven Rivers Pool in Lea County, New Mexico.

(8) That in order to prevent drainage and otherwise prevent waste and protect correlative rights, oil wells completed in the Scarborough Yates-Seven Rivers Pool in Lea County, New Mexico, should be assigned a monthly allowable equal to the monthly per-acre allowable assigned to oil wells in the Scarborough Pool in Winkler County, Texas.

(9) That in order to afford to the owner of each property in the Scarborough Yates-Seven Rivers Pool the opportunity to produce his just and equitable share of the oil and gas in the pool, and to otherwise prevent waste and protect correlative rights, a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil should be established and all wells with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil should be classified as gas wells.

(10) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, 40-acre oil well spacing units and 640-acre gas well spacing units should be established in the subject pool.

IT IS THEREFORE ORDERED:

(1) That a new pool is hereby created and designated the Scarborough Yates-Seven Rivers Pool, with vertical limits extending from the top of the Yates formation to the base of the Seven



Rivers formation, and horizontal limits comprising the following-described area:

LEA COUNTY, NEW MEXICO

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

Section 12: E/2

Section 13: E/2

Section 24: E/2

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 7: W/2 and W/2 E/2

Section 18: W/2 and W/2 E/2

Section 19: NW/4, W/2 NE/4, and S/2

Section 29: W/2 and SE/4

Section 30: N/2 and SE/4

Partial Section 31: E/2 and E/2 W/2

Partial Section 32: All

Partial Section 33: W/2 and W/2 E/2

(2) That the horizontal limits of the Jalmat Gas Pool in Lea County, New Mexico, are hereby contracted to delete the above-described area.

(3) That Special Rules and Regulations are hereby promulgated for the Scarborough Yates-Seven Rivers Pool as follows:

SPECIAL RULES AND REGULATIONS

FOR THE

SCARBOROUGH YATES-SEVEN RIVERS POOL

RULE 1. Each well completed or recompleted in the Scarborough Yates-Seven Rivers Pool or in the Yates or the Seven Rivers formations within one mile of the Scarborough Yates-Seven Rivers Pool, and not nearer to or within the limits of another designated oil or gas pool comprising the Yates or the Seven Rivers formations, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed as an oil well shall be located on a standard unit comprising 40 acres, more or less, consisting of a governmental quarter-quarter section.

RULE 3. Each well completed as a gas well shall be located on a standard unit comprising 640 acres, more or less, consisting of a governmental section.

CASE No. 3316  
Order No. R-2999

RULE 4. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 3 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 5. Each well completed as an oil well shall be located no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 6. Each well completed as a gas well shall be located no nearer than 1980 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 7. The Secretary-Director may grant an exception to the requirements of Rule 6 without notice and hearing when an

application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 8. Each well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil shall be classified as a gas well.

RULE 9. The limiting gas-oil ratio for oil wells shall be 10,000 cubic feet of gas per barrel of oil.

RULE 10. The top allowable for oil wells shall be 128 barrels of oil per day.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Scarborough Yates-Seven Rivers Pool or in the Yates or the Seven Rivers formations within one mile of the Scarborough Yates-Seven Rivers Pool, and not nearer to or within the limits of another designated oil or gas pool comprising the Yates or Seven Rivers formations, are hereby approved; that the operator of any well having an unorthodox location shall notify the Commission's Hobbs District Office in writing of the name and location of the well on or before January 1, 1966.

(2) That Order No. R-2947 is hereby superseded.

(3) That the effective date of this order shall be 7:00 o'clock A.M., December 1, 1965.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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CASE No. 3316

Order No. R-2999

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

Case No. 12426

Southwest Royalties

Pre-hearing  
orders  
General Rules?

Clifton Bloodworth

200 acre non-studied gas production unit  
~~or~~  
unorthodox well location

notice -

Grey Mgt. - sent waiver letter (ex. 3)

McCarland Mgt.

Curro (acreage in S. 30)

→ 200 acres

all wells in S. 30 P+A or T+A

paying out \$25

Salvage operation

see correlation rights

- wells cannot drain 640 acres

- no <sup>other</sup> wells will be drilled

George of McCarland -  
no objection

Official  
Notice of  
Records

force pool?  
forced to bring in nonprospective  
and dilute SW Royalty's interests

prevent waste

- Questions for Bill:
- ① Other wells - perforated in same zone??
  - ② Top of cross sections taken for on  
drillers logs (structure map #18)  
Supporting data, basis
  - ③ Basis in rules for application?
  - ④ drainage?
- Official Notice:  
well files