

Ross, Stephen

From: Robert Lee[SMTP:lee@prrc.nmt.edu]
Sent: Tuesday, November 14, 2000 11:29 AM
To: Ross, Stephen
Subject: Re: Transcript-Southwest Royalties

Steve,

I do not have additional questions. Need to concentrate on Geology.

I will be out of office 11/16 thru 12/2.

Robert

At 02:09 PM 11/13/00 -0700, you wrote:

>Commissioners,

>

>Attached is the transcript of the Southwest Royalties hearing last week.

>

>After you have had a chance to review the transcript, let me know if you
>need additional information from Mr. Carr. I have already asked him to
>provide the information requested last week; as soon as that arrives, I'll
>distribute it.

>

>If you have any questions in the interim, please do not hesitate to call.

>

> <<Southwest-Royalties-transcript.doc>>

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>

>Stephen C. Ross

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>

Ross, Stephen

From: Bailey, Jami
Sent: Tuesday, November 14, 2000 3:29 PM
To: Ross, Stephen
Subject: Southwest Royalties OCC Case 12,426

Thanks Steve, for the transcript. It sure made evaluation of the case easier than just relying on my notes. I wrote down some thoughts as I was looking at the exhibits and transcript. Bottom line: I have no problem with approving the application. If you think my scribbles are worthy of passing along to Lori and Robert, feel free to do so.



OCC Case SW Roy
Decision Tree.doc

OCC Case 12,426
Southwest Royalties
Nonstandard gas spacing & proration unit and
unorthodox gas well location

Thoughts Pro

No objection from offsetting operators

No likely interference with correlative rights

Appears to be a salvage of any remaining reserves, since offsetting wells are TA or P&A

Recompletion, not new drill

Water production and lack of contribution of reserves from rest of the acreage in the section probably would dilute economics to non-profit status

Thoughts Con

Did they present evidence to refute OCD Order R-11434, Finding Number

12? No; no engineering testimony

13? No

14? I don't think this is particularly relevant since 16 wells have been drilled in Sec. 30, with plenty of opportunity to produce. This is not a new well to be drilled, but a recompletion.

15? I'm not sure I agree with this Finding either.

16? No. They should have discussed economics.

With no geologic information to substantiate their structure map, we're supposed to take his statements on face value?

Conclusions

This would be much easier to decide if we had testimony on engineering, geology, and economics to refute the Examiner's Findings 12, 13, and 16. However, I do believe this is a salvage operation. With no objections from the offset operators or royalty owners, I'm inclined to go ahead and recommend approval.

My independent review and all the P&A wells in the area lead me to believe this may be protection of Section 30's correlative rights. We can call it prevention of waste.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

November 9, 2000

Via Facsimile and First Class Mail

Mr. William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Re: Application of Southwest Royalties, Inc. for a Non-standard Gas Spacing and
Proration Unit and an Unorthodox Well Location in Lea County, New Mexico; Case No.
12426 (*de novo*).

Dear Bill,

Thank you for your presentation during the November 8 hearing of the Commission.

During preliminary deliberations on the application, the Commission asked that additional materials be submitted. First, the Commission would like to review the data from which the structure map (Exhibit 8) was produced. Second, the Commission would like review information on the perforated intervals of the wells in Section 30, if available (Ex. 9 contained this kind of information on wells in other sections and on the subject well).

If you can supply these materials quickly, the Commission may be able to act on the application during the hearing presently scheduled for December 15.

Please give me a call if you have any questions.

Sincerely,

Stephen C. Ross
Assistant General Counsel

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& SHERIDAN, P.A.
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October 25, 2000

HAND DELIVERED

Ms. Lori Wrotenbery, Chair
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

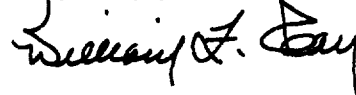
Re: Case 12426 (De Novo) Application of Southwest Royalties, Inc. for a non-standard spacing and proration unit and an unorthodox gas well location, Lea County, New Mexico.

Dear Ms. Wrotenbery,

Southwest Royalties, Inc., applicant for hearing de novo in the above-referenced case, hereby requests that the hearing scheduled for October 27, 2000, be continued to the November 8, 2000 Commission hearing docket.

Your attention to this request is appreciated.

Very truly yours,



William F. Carr
Attorney for Southwest Royalties, Inc.

OIL CONSERVATION DIV.
OCT 25 AM 3:25