

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

R-11434-H

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

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

SOUTHWEST ROYALTIE P. O. BOX 11390		ne and Address		20GRID Number 021355
MIDLAND, TX 79702			30 - 0	3API Number ) 25 32274
₄Property Code		sProperty Name		6Well No.
18097	EAVES B			20
,				

#### ,Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
1	30	26S	37E		1414.	SOUTH	429	EAST	LEA

## Proposed 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	
					· ·					
	Proposed Pool 1					10Proposed Pool 2				
SCARBOROUGH (YATES-7RIVERS)									· · ·	

11Work Type Code	12Well Type Code	₁₃Cable/Rotary	₁₄Lease Type Code	15Ground Level Elevation 2938
16Multiple	17Proposed Depth	18Formation	19Contractor	20Spud Date

#### <sup>21</sup>Proposed 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'		
<sup>22</sup> Describe 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.							

<sup>23</sup> I hereby ce best of my k	ertify that the information given a nowledge and belief.	bove is true and complete to the	OIL CONSERVATION DIVISION			
Signature:	month	$\rho$	Approved By:			
Printed name: C. M. Bloodworth			Title:			
Title: Are	a Supervisor		Approval Date:	Expiration Date:		
Date:	02-07-00	<sup>Phone:</sup> 915 686-9927	Conditions of Approval: Attached:			

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

District II 811 South First, Artesia, NM 88210

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

Distnet 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

	<sup>9</sup> ! Number )25-3227	'4		₂Pooi Code 55560	1	aPool Name Scarborough Yates-Seven Rivers							
₄Property Co 18097	ode	Eaves B			₅Pro	perty Name	!				· .	۷a	Vell Number 20
70GRID N 021355	-	Southwest	Royaltie	s, Inc.	sOpe	erator Nam	3	· · · ·		· · ·			∍Elevation 2938
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UL or lot no.	Section	Township	Range	Lot Idn	Feet from	n the 1	lorth/Sc	outh line	F	eet from the	East/W	est Line	County
	30	26S	37E		14	14	So	uth		429	Ea	st	Lea
			Bottor	n Hole I	Locatio	n If Dif	ferer	nt From	n S	urface			
UL or lot no.	Section	Township	Range	Lot Idn	Feet from	n the f	lorth/Sc	outh line	F	eet from the	East/W	est Line	County
12Dedicated Acr 200.00	res ısJoi	nt or Infill 14C	Consolidatio	on Code	15Order No.	L		-	<u> </u>				L
NO ALLOW	ABLE V	VILL BE ASS OR A N	SIGNED ON-STA		S COMPL	ETION		IL ALL I PROVEI	NTI D B	ERESTS H. Y THE DIV	AVE BEI ISION	EN COM	NSOLIDATED
<sup>16</sup> 5са Sou GPU ``В "	6	rough st Roy a	Fie /d Ities	Eau	es "B	1 " " 	se 3 "		and the second	I hereby certify true and completion Signature Marty Bloc Printed Name Area Supe Title 02-09-00 Date	that the infe ete to the b odworth ervisor YOR that the we	CERT	IFICATION Induined herein is nowledge and belief
		B			<b>* β 4</b>	°G*	, 14/4,		29	or under my su	oervision, a est of my be y Seal of Pro	nd that the elief.	surveys made by me same is true and Surveyer

Scarborough Field

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## 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

## 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 3 + 2 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. 30-025-12077), 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 40acre dedication, and currently shut-in;

à.

(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 40acre 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	ļ
Section 7:	W/2 E/2, W	
Section 18:	W/2 NE/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 40acre dedication, and currently shut-in; and

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

## TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

Section 12:E/2Section 13:E/2Section 24:E/2Section 25:E/2Section 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 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, is hereby denied.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

PONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

50.41

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

Director

