

**OIL AND GAS DOCKET NO. 7C-0258000**

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**THE APPLICATION OF SOUTHWEST ROYALTIES, INC. TO ESTABLISH AN MER FOR THE MCELROY RANCH LEASE WELL NO. 4, SPRABERRY (TREND AREA) FIELD, UPTON COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on August 29, 2008

**Appearances:**

Dick Marshall  
Greg Cloud

**Representing:**

Southwest Royalties, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Southwest Royalties, Inc. requests an MER of 400 BOPD for its McElroy Ranch Lease Well No. 3 in the Spraberry (Trend Area) Field. Southwest also requests that all accumulated overproduction be cancelled for this lease.

The application is unopposed and the examiner recommends approval of the requested MER and cancellation of overproduction.

**DISCUSSION OF EVIDENCE**

The McElroy Ranch No. 4 was completed in the Spraberry (Trend Area) Field in June 2008. The well is a horizontal well perforated in several stages over a gross interval between 7,842 feet and 10,670 feet. On initial test, the well produced at a rate of 559 BOPD, 712 MCFD and 396 BWPD on rod pump. The top allowable for the well is 121 BOPD.

The well is equipped with a rod pump but flows intermittently when fluids are removed from the wellbore. The well produces up the casing-tubing annulus and up the tubing. The gas-oil ratio has been increasing steadily since initial completion. When the well is produced through a 30/64" tubing choke, the gas-oil ratio was less than 3,000 cubic feet per barrel. The tubing size was decreased to 24/64" and the tubing pressure became very erratic. The gas-oil ratio also fluctuated significantly.

Southwest investigated production from 19 surrounding producers. These wells have similar completion intervals as the McElroy Ranch No. 4, but only the McElroy Ranch No. 3 has been as prolific. The McElroy Ranch No. 3 was recently granted MER authority with an allowable of 700 BOPD.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The McElroy Ranch No. 4 was completed in the Spraberry (Trend Area) Field in June 2008, with perforations between 7,842 feet and 10,670 feet.
3. On initial test, the well produced at a rate of 559 BOPD, 712 MCFD and 396 BWPD on rod pump.
4. The top allowable for the well is 121 BOPD.
5. The well flows intermittently, as liquids are removed from the wellbore by the pump. Fluids are produced up the tubing and also up the tubing-casing annulus.
5. Producing the McElroy Ranch No. 4 at rates up to 400 BOPD will not cause waste. The well produces erratically at reduced rates.
6. The McElroy Ranch No. 3 was recently granted MER authority with an allowable of 700 BOPD. No other wells in the area are as prolific.

### **CONCLUSIONS OF LAW**

1. Notice of this hearing was given as specified in the provisions of all regulatory codes.
2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter.
3. Approval of an MER of 400 BOPD and cancellation of overproduction for the McElroy Ranch Lease Well No. 4 in the Spraberry (Trend Area) Field will not cause waste and will not harm correlative rights.

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of an MER of 400 BOPD and cancellation of overproduction for the McElroy Ranch Lease Well No. 4 in the Spraberry (Trend Area) Field.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner