

January 8, 2007

OIL AND GAS DOCKET NO. 08-0249701

APPLICATION OF SOUTHWEST ROYALTIES, INC. TO AMEND THE FIELD RULES FOR THE WAR-WINK, S. (WOLFCAMP) FIELD, WARD COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: January 3, 2007

APPEARANCES:

Richard P. Marshall, Jr., attorney
Rick Johnson
Matt Swierc

REPRESENTING:

Southwest Royalties, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Southwest Royalties, Inc. to amend the field rules as adopted in Order No. 8-66,650, effective December 28, 1976, as amended, for the War-Wink, S. (Wolfcamp) Field that currently provide for the following:

1. Minimum well spacing of 933'/1867' (lease line/between well);
2. 160 acre proration units plus 40 acres tolerance and a maximum diagonal of 4,500'; and
3. An allocation formula based on 100% acreage.

Southwest Royalties proposes the following:

1. The entire combined correlative interval from 11,125' to 11,480' as shown on the Dual Laterolog of The Superior Oil Company, University 32-18 Lease Well No. A-1, (API No. 42-467-32305) Sect. 32, Blk 18, University Land Survey, Ward County, Texas, is designated as the War-Wink, S. (Wolfcamp) Field.
2. Minimum well spacing of 660'/1320' (lease line/between well) and no minimum between well spacing between a horizontal drainhole well and a vertical well;
3. The addition of optional 80 acre density and a maximum diagonal of 3,250'; and
4. An allocation formula based on 100% acreage.

The examiner recommends approval of the proposed amendments.

DISCUSSION OF THE EVIDENCE

The War-Wink, S. Wolfcamp Field was discovered in 1974 at 12,908' subsurface depth and was classified as a gas field. The first "oil" well was discovered in 1976 at 12,758' subsurface depth and the field was classified as Associated-49-B. Special Field Rules were adopted pursuant to Order No. 8-66,650,

effective December 28, 1976, as amended. Currently there is one operator with two gas wells. The "Oil Proration Schedule" indicates a multi-operator field with 60 wells. Cumulative production is 14.7 MMBO and 20.4 BCF of gas.

It is proposed that the entire combined correlative interval from 11,125' to 11,480' as shown on the Dual Laterolog of The Superior Oil Company, University 32-18 Lease Well No. A-1, (API No. 42-467-32305) Sect. 32, Blk 18, University Land Survey, Ward County, Texas, is designated as the War-Wink, S. (Wolfcamp) Field. The proposed interval represents the entire Wolfcamp Formation.

Optional 80 acre density is necessary for the efficient and effective depletion of the reservoir. The adjacent War-Wink, W. (Wolfcamp) Field, discovered in 1976, operates pursuant to special field rules that provide for minimum well spacing of 660'/1320'; 160 acre and optional 80 acre density and 100% acreage allocation formula. Volumetric and production decline analysis was performed on 11 wells in the field. Estimated ultimate recoveries ranged from 68,000 to 311,000 BO. The calculated drainage areas ranged from 41 to 211 acres. Five of the wells had drainage areas less than 80 acres.

The proposed minimum well spacing, 660'/1320' (leaseline/between well) is necessary to provide flexibility in locating wells for optimum drainage. This is the minimum well spacing associated with 80 acre proration units. Minimum between well limitations between vertical and horizontal drainhole wells is not warranted. Infill drilling of horizontal drainhole wells demonstrates that the recovery of previously completed vertical wells has had no influence on the producing rates or recovery of reserves from horizontal drainhole wells.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The War-Wink, S. Wolfcamp Field was discovered in 1974 at 12,908' subsurface depth and was classified as a gas field.
 - a. The first "oil" well was discovered in 1976 at 12,758' subsurface depth and the field was classified as Associated-49-B.
 - b. Special Field Rules were adopted pursuant to Order No. 8-66,650, effective December 28, 1976, as amended.
 - c. This is a multi-operator field with over 60 wells.
4. The entire combined correlative interval from 11,125' to 11,480' as shown on the Dual Laterolog of The Superior Oil Company, University 32-18 Lease Well No. A-1, (API No. 42-467-32305) Sect. 32, Blk 18, University Land Survey, Ward County, Texas, is designated as the War-Wink, S. (Wolfcamp) Field.
5. Optional 80 acre density is necessary for the efficient and effective depletion of the reservoir.

- a. The adjacent War-Wink, W. (Wolfcamp) Field, discovered in 1976, operates pursuant to special field rules that are identical to the proposed amended rules and the two fields have grown together over time.
 - b. Volumetric and production decline analysis was performed on 11 wells in the field.
 - c. Estimated ultimate recoveries ranged from 68,000 to 311,000 BO and the calculated drainage areas ranged from 41 to 211 acres. Five of the wells had drainage areas less than 80 acres.
6. The proposed minimum well spacing, 660'/1320' (leaseline/between well) is necessary to provide flexibility in locating wells for optimum drainage.
- a. Minimum between well limitations between vertical and horizontal drainhole wells is not warranted as infill drilling of horizontal drainhole wells demonstrates that the recovery of previously completed vertical wells has had no influence on the producing rates or recovery of reserves from horizontal drainhole wells.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of their effectiveness and appropriate actions are a matter within the Commission jurisdiction.
4. Adoption of the proposed amended field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed amended field rules for the War-Wink, S. (Wolfcamp) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel