



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0289141**

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**APPLICATION OF SOUTHWEST ROYALTIES, INC., TO TRANSFER WELLS TO THE  
MAGNOLIA SEALY FIELD, WARD COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Cecile Hanna – Hearings Examiner

**DATE OF HEARING:** June 11, 2014

**APPEARANCES:**

Doug Dashiell  
Matt Swierc

**REPRESENTING:**

Southwest Royalties, Inc.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Southwest Royalties, Inc. operates 19 wells on its three George Sealy 41 Leases in Section 41, Block F, G&MMB&A Survey, Abstract A-17. These wells are completed in three different fields, all of which produce from the same interval of the Yates Formation. By this application, Southwest Royalties seeks the administrative transfer of wells from the Magnolia Sealy, South Field (Field ID No. 56766 001) and the Sealy, South (Yates) Field (Field ID No. 81952 500) into the Magnolia Sealy Field (Field ID No. 56761 001) in Ward County, Texas. Southwest Royalties was purchased by Clayton Williams in 2004. It is a wholly-owned subsidiary of Clayton Williams, but operates independently. The application is not protested. The examiners recommend that the wells be transferred to the Magnolia Sealy Field as requested by Southwest Royalties.

**DISCUSSION OF THE EVIDENCE**

Southwest Royalties' three (3) George Sealy 41 Leases (ID Nos. 40289, 05386, and 35178) include all 642 acres in Section 41, Block F, G&MMB&A Survey, Abstract A-17, about 9 miles west of the town of Monahans in Ward County, Texas. As indicated on Attachment 1, Southwest Royalties operates 19 wells on its leases in Section 41, but these wells are completed in three different fields:



- Lease No. 04029 includes six (6)<sup>1</sup> wells completed in the Magnolia Sealy, South Field. For the most part, these wells are located on the northern half of Section 41. The Magnolia Sealy, South Field was discovered in 1940. The discovery well for this field is located in Section 43, about two miles north of Section 41.
- Lease No. 05386 includes five (5) wells completed in the Sealy, South (Yates) Field. For the most part, these wells are located in the southern half of Section 41. The Sealy, South (Yates) was discovered in 1946. The two discovery wells for this field are located one-half and one and one-half miles south of Section 41.
- Lease No. 35718 includes nine (9) wells completed in the Magnolia Sealy Field, and are generally located on the west-central part of Section 41. The Magnolia Sealy field was discovered in 1939. The discovery wells were located in Section 46, more than four miles north of Section 41.

It is noted that the field development overlaps; there is no clear spatial separation between the fields based on the well distribution in Section 41.

Further, Southwest Royalties provided geologic cross sections and completion records indicating all 19 wells—and other wells in the three fields of interest—actually are completed in and produce from the same stratigraphic interval in the Yates Formation at depths from about 2,700 feet to 2,900 feet.

Southwest Royalties seeks to place all wells completed in Section 41 into the Magnolia Sealy Field. This will provide some administrative efficiency and resolve potential issues associated with the double-assignment of acreage prohibition of Statewide Rule 40. Currently, Southwest Royalties maintains an exception to Statewide Rules 26 and 27 to allow for the surface commingling of oil from the three leases. The wells all produce from the same correlative interval in the various fields, and there is only one lease between the operator and the mineral owner. Placing the wells in the same field—and, consequently, moving them into the same lease ID no.—will remove the requirements of maintaining this exception.

The Magnolia Sealy field was the first of the three subject fields to be discovered. Immediately north of Section 41, on Sections 42, 43 and 44, is the Magnolia Sealy Yates

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<sup>1</sup> There are 19 total wells subject to this application. The proration schedules for the Magnolia Sealy, South and the Sealy, South (Yates) Fields each contain a record for Well No. 12 (API No. 475-03422). There is only one Well No. 12. The well appears to have originally been drilled as Well No. 9, but was plugged-back and recompleted at some point, renumbered, placed in the new field but also left on the original schedule.

Unit, a unitized portion of the Magnolia Sealy Field. Interestingly, the discovery well for the Magnolia Sealy, South Field is located in this unitized area. Southwest Royalties requests the wells be transferred to the Magnolia Sealy field, consistent with these wells immediately to the north. Field rules for the Magnolia Sealy field were established in 1939 and provide for 10-acre proration units. Transferring these wells into the Magnolia Sealy field will remove any potential Statewide Rule 40 double-assignment of acreage issues. It is noted that the Sealy, South (Yates) and the Magnolia Sealy, South Fields both have provisions for 20-acre proration units, and so Southwest Royalties sees no potential conflict with Statewide Rule 40.

Southwest Royalties also notes that Well No. 16 was completed in August 1997 but completion papers were not filed until 2004. The papers have not been approved by the Commission as certain documentation was missing. Southwest Royalties has worked out the issues with the District staff, and the completion is pending resolution of the acreage issues by transfer to the Magnolia Sealy field.

#### 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 hearing.
2. The hearing was not protested.
3. Southwest Royalties, Inc. operates 19 wells on its three George Sealy 41 Leases that occupy all 642 acres of Section 41, Block F, G&MMB&A Survey, Abstract A-17.
4. These 19 wells are completed in three different fields, all of which produce from the same interval of the Yates Formation. The three fields are the Magnolia Sealy, South Field (Field ID No. 56766 001), the Sealy, South (Yates) Field (Field ID No. 81952 500), and the Magnolia Sealy Field (Field ID No. 56761 001).
5. The three fields were discovered and developed in the 1930s and 1940s.
6. The three fields all produce from the same productive correlative interval within the Yates Formation.
7. The 19 wells all produce from the same productive correlative interval within the Yates Formation.
8. Commission staff has identified field development issues on the leases caused by the double assignment of acreage prohibition of Statewide Rule 40.

9. The Magnolia Sealy Field has 10-acre proration units; the other two fields have 20-acre units.
10. Transferring the wells to the Magnolia Sealy Field will ease administrative burdens and allow for full field development under current field rules.

**CONCLUSIONS OF LAW**

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Transfer of the subject wells to the Magnolia Sealy Field will prevent waste, protect correlative rights, and promote the orderly development of the field.

**EXAMINERS' RECOMMENDATION**

Based on the above findings and conclusions of law, the examiners recommend approval of the proposed transfer of Southwest Royalties, Inc. wells to the Magnolia Sealy Field, and that any such fees associated with such transfer, including drilling permit fees, be waived.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Cecile Hanna  
Hearings Examiner

## ATTACHMENT 1

**Southwest Royalties, Inc. (806470)**  
**Ward County, Texas**

<u>Lease Name</u>	<u>Well #</u>	<u>API #</u>	<u>Lease #</u>	<u>Current Field</u>	<u>Comments</u>
Sealy, George 41	1A	42-475-34083	04029	Magnolia Sealy, South	
Sealy, George 41	2	42-475-34084	04029	Magnolia Sealy, South	
Sealy, George 41	3A	42-475-34099	04029	Magnolia Sealy, South	
Sealy, George 41	4A	42-475-34181	04029	Magnolia Sealy, South	
Sealy, George 41	6	42-475-34413	35178	Magnolia Sealy	
Sealy, George 41	7	42-475-34414	35178	Magnolia Sealy	
Sealy, George 41	8	42-475-34415	35178	Magnolia Sealy	Injection Well
Sealy, George 41	9	42-475-34416	35178	Magnolia Sealy	
Sealy, George 41	10	42-475-03414	04029	Magnolia Sealy, South	
Sealy, George 41	11	42-475-03362	05386	Sealy, South (Yates)	
Sealy, George 41	12	42-475-03422	05386	Sealy, South (Yates) & Magnolia Sealy, South	
Sealy, George 41	13	42-475-03399	05386	Sealy, South (Yates)	
Sealy, George 41	14	42-475-03405	05386	Sealy, South (Yates)	Injection Well
Sealy, George 41	15	42-475-03411	05386	Sealy, South (Yates)	
Sealy, George 41	16	42-475-34449	pending	Magnolia Sealy	
Sealy, George 41	17	42-475-36437	pending	Magnolia Sealy	
Sealy, George 41	18	42-475-36439	pending	Magnolia Sealy	
Sealy, George 41	19	42-475-36440	pending	Magnolia Sealy	Injection Well
Sealy, George 41	20	42-475-36441	pending	Magnolia Sealy	Injection Well

**NOTE:**

\*Each of the 15 producing wells will have 10 acres assigned in the Magnolia Sealy Field.

\*Wells #16 thru #20 have submitted forms for Magnolia Sealy Field but have not yet been assigned.

\*Well #12 is currently on the schedule in 2 fields.