



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 08-0265788

THE APPLICATION OF SOUTHWEST ROYALTIES, INC. TO AMEND FIELD RULE NOS. 2 AND 3 FOR THE WAR-WINK. S. (WOLFCAMP) FIELD, WARD AND WINKLER COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: June 16, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

Dick Marshall
Greg Cloud

Southwest Royalties, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the War-Wink, S. (Wolfcamp) Field were adopted in Final Order No. 8-66,650, effective December 28, 1976, as amended. The Field Rules in effect for the field are summarized as follows:

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;
2. 660'-1320' well spacing with no minimum between well spacing between a horizontal drainhole well and a vertical well;
3. 160 acre units with optional 80 acre density;
4. Allocation based on 100% acreage.

Southwest Royalties, Inc. ("Southwest") requests that Field Rule Nos. 2 and 3 be amended to provide for 467'-933' well spacing with no minimum between well spacing between a horizontal drainhole well and a vertical well and 160 acre units with optional 40 acre density.

This application was unopposed and the examiner recommends that Field Rule Nos. 2 and 3 be amended, as proposed by Southwest.

DISCUSSION OF THE EVIDENCE

The War-Wink, S. (Wolfcamp) Field was discovered in March 1974 at a depth of 12,900 feet and was classified as a non-associated gas field. The first "oil" well was discovered in August 1976 and the field was re-classified as Associated-49-B. There is one operator with one gas well carried on the gas proration schedule and there are many operators with 58 oil wells carried on the oil proration schedule. Cumulative production through May 2010 from the gas field is 401.3 MMCFG and 199.6 MBC and from the oil field is 15.9 MMBO and 22.1 BCFG.

Although the War-Wink, S. (Wolfcamp) Field name implies that the field is producing from Wolfcamp carbonates only, in actuality, the wells also produce from various Bone Spring Sands. Numerous other fields in the area that produce from the Wolfcamp carbonates and Bone Spring Sands, such as the War-Wink, W. (Wolfcamp), Phantom (Wolfcamp) and Two Georges (Bone Spring) Fields, are undergoing redevelopment by drilling infill vertical and horizontal wells.

Optional 40 acre density is necessary for the efficient and effective depletion of the reservoir. Southwest performed a production decline and volumetric reserve analysis on 15 vertical wells in the field. The average reservoir parameters were 9.1% porosity, 38% water saturation, 36 feet of net pay and an estimated recovery factor of 15%. The calculated ultimate recoveries ranged from 60,000 BO up to 311,000 BO. The calculated drainage areas ranged from 41 acres up to 211 acres. Seven of the wells had drainage areas less than 80 acres and four of the seven wells had less than 50 acres.

The proposed minimum well spacing of 467'/933' is necessary to provide flexibility in locating wells for optimum drainage and is the minimum well spacing associated with 40 acre proration units. A minimum between well limitation between vertical and horizontal drainhole wells is not warranted. The 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 given to all persons entitled to notice at least ten (10) days prior to the subject hearing and no protests were received.

2. The War-Wink, S. (Wolfcamp) Field was discovered in March 1974 at a depth of 12,900 feet and was classified as a non-associated gas field.
 - a. The first "oil" well was discovered in August 1976 and the field was re-classified as Associated-49-B.
 - b. There is one operator with one gas well carried on the gas proration schedule and there are many operators with 58 oil wells carried on the oil proration schedule.
 - c. Special Field Rules were adopted pursuant to Order No. 8-66,650, effective December 28, 1976, as amended.
3. Optional 40 acre density is necessary for the efficient and effective depletion of the reservoir.
 - a. Southwest performed a production decline and volumetric reserve analysis on 15 vertical wells in the field.
 - b. The average reservoir parameters were 9.1% porosity, 38% water saturation, 36 feet of net pay and an estimated recovery factor of 15%.
 - c. The calculated ultimate recoveries ranged from 60,000 BO up to 311,000 BO.
 - d. The calculated drainage areas ranged from 41 acres up to 211 acres. Seven of the wells had drainage areas less than 80 acres and four of the seven wells had less than 50 acres.
4. The proposed minimum well spacing of 467'/933' is necessary to provide flexibility in locating wells for optimum drainage.
 - a. Well spacing of 467'/933' is the minimum well spacing associated with 40 acre proration units.
 - b. A minimum between well limitation between vertical and horizontal drainhole wells is not warranted. The 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.

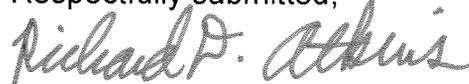
CONCLUSIONS OF LAW

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. Adoption of the proposed amended Field Rule Nos. 2 and 3 will prevent waste, foster conservation, protect correlative rights and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends approval of the amended Field Rule Nos. 2 and 3 for the War-Wink, S. (Wolfcamp) Field, as proposed by Southwest Royalties, Inc.

Respectfully submitted,



Richard D. Atkins, P.E.

Technical Examiner