



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 03-0246855

THE APPLICATION OF DEVON ENERGY PRODUCTION CO., L.P. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) SILVERSPoon (TEX SA1 SAND) FIELD, MATAGORDA COUNTY, TEXAS

Heard by: Donna K. Chandler on April 17, 2006

Appearances:

Charles Salmon

Representing:

Devon Energy Production Co., L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Devon Energy Production Co., L.P. requests that a new field designation called the Silverspoon (Tex SA1 Sand) Field be approved for its Emil J. Ottis Heirs No. 1. Devon also requests that the following rules be adopted for the Silverspoon (Tex SA1 Sand) Field:

1. Designation of the field as the correlative interval from 16,218 feet to 16,529 feet as shown on the log of the Emil J. Ottis Heirs No. 1;
2. Allocation based on 95% deliverability and 5% per well.

Devon also requests that the allocation formula be suspended.

There were no protests to this application and the examiner recommends approval of the new field designation, field rules and suspension of the allocation formula.

DISCUSSION OF EVIDENCE

Devon Energy Production Co., L.P. completed its Emil J. Ottis Heirs No. 1 in June 2005 with perforations between 16,218 and 16,524 feet. The well was tested at a rate of 20,729 MCFD. Devon has recently completed its Burkhart No. 1 in the same correlative interval.

The new field designation should be approved for the Emil J. Ottis Heirs No. 1. There is no comparable production within a 2 ½ mile radius of the Emil J. Ottis Heirs No. 1. Additionally, the Emil J. Ottis Heirs No. 1 encountered virgin pressure of 14,847 psi.

Devon requests that the entire correlative interval between 16,218 and 16,529 feet in the Emil J. Ottis Heirs No. 1 be considered a single field. This interval includes at least two separate sand members. Combining the intervals will result in the recovery of approximately 40 MMCF of additional gas as a result of a lower combined economic limit.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Devon requests that allocation be based on 95% deliverability and 5% per well for the field. Devon also requests that the allocation formula for the field be suspended, as there is a market for all gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. Devon Energy Production Co., L.P. completed its Emil J. Ottis Heirs No. 1 June 2005 with perforations between 16,218 and 16,524 feet. The well produced at a rate of over 20,000 MCFD on initial test.
3. The Emil J. Ottis Heirs No. 1 is entitled to a new field designation.
 - a. There is no comparable production within a 2 ½ mile radius of the subject well, except for the recently drilled Burkhart No. 1, which will be placed in the new field.
 - b. The Emil J. Ottis Heirs No. 1 encountered virgin bottomhole pressure of 14,847 psi.
4. The entire correlative interval from 16,218 to 16,529 feet as shown on the log of the Emil J. Ottis Heirs No. 1 should be designated as the Silverspoon (Tex SA1 Sand) Field.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single field.
6. There is a market for all gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.
4. The field meets the requirements for suspension of the allocation formula Pursuant to Statewide Rule 31(j).

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation, adoption of field rules and suspension of the allocation formula for the Silverspoon (Tex SA1 Sand) Field.

Respectfully submitted,



Donna K. Chandler
Technical Examiner