

OIL AND GAS DOCKET NO. 08-0269098

THE APPLICATION OF CIMAREX ENERGY CO. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) FORD, WEST (WOLFCAMP) FIELD, CULBERSON COUNTY, TEXAS

Heard by: Donna K. Chandler on February 14, 2011

Appearances:

Mike McElroy
Michael DeShazer
Dave Rittersbacher

Representing:

Cimarex Energy Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cimarex Energy Co. requests that a new field designation be approved for its Owl Draw 12 Unit Well No. 1H called the Ford, West (Wolfcamp) Field. Cimarex requests that the following temporary field rules be adopted for the Ford, West (Wolfcamp) Field:

1. Designation of the field as the correlative interval from 9,556 feet to 9,945 feet as shown on the log of the Owl Draw Unit Well No. 1H;
2. 467'-933' well spacing, with special provisions for "take points";
3. 320 acre density, with special provisions for assignment of acreage to horizontal wells;
4. Allocation based on 75% acres and 25% per well.

Cimarex had originally requested a field name Triple Crown (Wolfcamp) Field. However, this name was not available in the Commission's system

This application was unopposed and the examiner recommends approval of the new field designation and temporary field rules, subject to review of the rules in 18 months.

DISCUSSION OF EVIDENCE

Cimarex completed its Owl Draw 12 Unit Well No. 1H in October 2010. The well is a horizontal drainhole well with a lateral of 4,160 feet. Cimarex subsequently completed three more horizontal wells, the Whirlaway 38 Well No. 1H, the Dust Commander 26 State Well No. 1H and the Super Saver 30 State Well No. 1H. The Owl Draw 12 Unit Well No. 1H is located approximately 10 miles north of the other three wells. The other three wells are all at least 2 miles apart. These wells are the extension of Cimarex's Wolfcamp development in New Mexico. The Owl Draw well is just one mile south of the state line.

The proposed correlative interval for the field is from 9,556 feet to 9,945 feet as shown on the log of the Owl Draw 12 Unit Well No. 1H. This interval includes the entire Wolfcamp. There is no other Wolfcamp production within a 2½ mile radius of any of the four wells. The nearest Wolfcamp production is in the Ford (Wolfcamp) Field about 11 miles to the east. The Ford (Wolfcamp) Field is a gas field with approximately 20 vertical wells, all completed in a lower portion of the Wolfcamp. The four wells completed in the proposed field are expected to be classified as gas wells based on PVT data.

Two of the four new wells were drilled in a north-south orientation and the other two were drilled in an east-west orientation. Cimarex has determined that fracturing is more effective when wells are drilled north-south. Cimarex has plans to drill 14 wells in the field in 2011.

Cimarex requests that temporary rules be adopted which provide for 320 acre development, with additional acreage assigned based on lateral lengths. Average porosity of the reservoir is 6.7% and average water saturation is 38%. Net pay in the Super Saver 30 State No. 1H is 51 feet. Estimated ultimate recovery for the Super Saver 30 State No. 1H is 3.8 BCF of gas. The estimated calculated drainage area for the well is 921 acres and the well has a drainhole length of approximately 3,500 feet. The proposed factor of 0.15 times the drainhole length would allow approximately 850 acres to be assigned to the well.

The Super Saver 30 State No. 1H was completed in December 2010 and averaged 4,000 MCFD in January 2011. The Owl Draw 12 Unit No. 1H produced an average of just more than 1,000 MCFD in January 2011. Production data was not provided for the other two wells.

This area of development is very remote. Currently, the four wells are producing through a temporary facilities and into an interstate pipeline. Road, electricity and gathering lines are not yet in place in place. Cimarex is building a 32 mile pipeline to connect the wells to a gas plant.

Cimarex requests special provisions for "take points" for horizontal drainhole wells to allow the lateral greater contact with the reservoir within the lease boundaries. Cimarex requests a spacing rule that requires a minimum of 467 feet from lease lines and 933 feet

between wells. This spacing is closer than normal for 320 acre density. However, given the very rough terrain, surface locations are limited.

Cimarex requests that the allocation formula be based on 75% acres and 25% per well. The two factor formula is necessary to meet statutory requirements in order to consider this series of limestones and shales as a single reservoir.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. Cimarex completed its Owl Draw 12 Unit Well No. 1H in October 2010. The well is a horizontal drainhole well with a lateral of 4,160 feet. This well was drilled as an extension of Cimarex's Wolfcamp development in New Mexico and the well is just one mile south of the state line.
3. Cimarex completed three additional horizontal wells, the Whirlaway 38 Well No. 1H, the Dust Commander 26 State Well No. 1H and the Super Saver 30 State Well No. 1H.
4. The Owl Draw 12 Unit Well No. 1H is entitled to a new field designation.
 - a. There is no other Wolfcamp production within a 2½ mile radius of any of the four wells.
 - b. The nearest Wolfcamp production is in the Ford (Wolfcamp) Field about 11 miles to the east.
 - c. Wells in the Ford (Wolfcamp) Field are vertical wells completed in a lower portion of the Wolfcamp.
5. The Ford, West (Wolfcamp) Field should be defined as the correlative interval from 6,985 to 8,024 feet as shown on the log of the Hughes 30 Well No. 2.
6. Field Rules that provide for 467' lease line spacing and 1,200 feet between wells will aid in developing the field in this very remote area with rough terrain.
7. Adoption of 320 acre gas units with special provisions for the assignment of acreage to horizontal wells is appropriate.
 - a. The Ford, West (Wolfcamp) Field is a gas field that will be developed with horizontal wells.

- b. The limited data available indicates that the Super Saver 30 State No. 1H will drain 921 acres, with an estimated ultimate recovery of 3.8 BCF of gas.
 - c. The Super Saver 30 State No. 1H has a drainhole length of approximately 3,500 feet. The proposed factor of 0.15 times the drainhole length would allow approximately 850 acres to be assigned to the well.
6. A spacing rule which utilizes “take-points” in a horizontal well for determination of distances to lease lines will not harm correlative rights and
 7. Allocation based on 75% acres and 25% per well is a reasonable formula which will protect correlative rights of mineral owners in the field and meets statutory requirements.

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 temporary field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of temporary field rules for the Ford, West (Wolfcamp) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner