

November 2, 2006

OIL AND GAS DOCKET NO. 02-0249063

APPLICATION OF CIMAREX ENERGY CO., OF COLORADO TO CONSOLIDATE THE WORD (EDWARDS) AND SWEET HOME (EDWARDS) FIELDS INTO THE WORD, N. (EDWARDS) FIELD AND ADOPT FIELD RULES FOR THE WORD, N. (EDWARDS) FIELD, LAVACA COUNTY, TEXAS

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

DATE OF HEARING: November 1, 2006

APPEARANCES:

Philip Whitworth, lawyer
Kerry A. Pollard
George C. Neale, attorney
Katherine Hartig

REPRESENTING:

Cimarex Energy Co., of Colorado

Pioneer Natural Resources USA, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unprotested application of Cimarex Energy Co., of Colorado for the Commission to consider consolidating the Word (Edwards) and Sweet Home (Edwards) Fields into the Word, N. (Edwards) Field. It is also proposed that the following rules be adopted:

1. The entire combined correlative interval from 13,460' to 15,730' as shown on the Electric Induction log of the Mobil Oil Company, Spanihel Lease Well No. 1, Jas. Kerr Survey, A-24, Lavaca County, Texas, should be designated as the Word, N. (Edwards) Field.
2. Minimum well spacing of 330/330' (leaseline/between well);
3. 160 acre gas pro ration unit density with 10% tolerance and maximum diagonal of 4,500' and optional 20 acre density and a maximum diagonal of 2,100';
4. Allocation formula of 95% acreage and 5% deliverability and the allocation formula be suspended.

At the hearing, Cimarex proposed amending its "noticed" minimum well spacing from 330'/660' to 330'/330'. Subsequently, Cimarex sent the amended proposal to all operators in the field to provide a ten (10) day opportunity to object. No protest was received. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Word, N. (Edwards) Field was discovered in 1977 at 3,158' subsurface depth. The field is governed by Statewide Rules and currently there are five operators in the field and 73 wells. The field is classified as an Associated field. There is one 14(b)(2) Extension "oil" well (operated by Cimarex) that has not been active in several years. The allocation formula has been suspended since 1993, Cumulative production from the field is 361 BCF of gas and 2.2 MMBO. Current field production is ± 1 BCF/M. Cumulative gas production on an active per well basis ranges from 137 MMCF to 9BCF.

The Word (Edwards) Field was discovered in 1960 at 3,320' subsurface depth. The field is governed by Statewide Rules and currently there are three operators in the field and 9 wells. The field is classified as a Non-Associated field. The allocation formula has been suspended since 1993. Cumulative production from the field is 37 BCF of gas and 469 MBO. Current field production is ± 50 MMCF/M. Cumulative gas production on a per well basis (active, inactive or plugged) ranges from 42 MMCF to 9 BCF.

The Sweet Home (Edwards) Field was discovered in 1978 at 13,490' subsurface depth. The field is governed by Statewide Rules and currently there are two operators in the field and 3 wells. The field is classified as a Non-Associated field. The allocation formula has been suspended since 1993. Cumulative production from the field is 5 BCF of gas and 81 MBO. Current field production is ± 4.5 MMCF/M. Cumulative gas production on a per well basis (active, inactive or plugged) ranges from 15 MMCF to 2.2 BCF.

Consolidation of the subject fields into the Word, N. (Edwards) Field will provide for the orderly development of the field. The Edwards production is derived from a down to the coast major fault trend that extends from southwest Texas in Webb County to the northeast through Brazos County. The trend is known as the Stuart City Shelf Margin. The subject three fields extend end to end within this trend in Lavaca County. Originally the fields were miles apart. Through development over the years the fields have grown together and wells now overlap. The entire combined correlative interval from 13,460' to 15,730' as shown on the Electric Induction log of the Mobil Oil Company, Spanihel Lease Well No. 1, Jas. Kerr Survey, A-24, Lavaca County, Texas, should be designated as the Word, N. (Edwards) Field.

Proration units of 160/optional 80 acres are necessary to provide for the effective and efficient depletion of the reservoir. Volumetric and production decline analysis was performed on several wells. The Woytek-Edwards Unit 2 has cumulative production of 2.25 BCF of gas and is currently producing 170 MCFD. Volumetric analysis calculates the recoverable gas for 160 acres to be 2.6 BCF. The F.V. Matthew No. 1 has cumulative production of 1.23 BCF of gas and is currently producing 7 MCFD. Volumetric analysis calculates the recoverable gas for 80 acres to be 1.9 BCF. The W.M. Granberry Unit has cumulative production of 2.23 BCF of gas and is currently producing 1,000 MCFD. Volumetric analysis calculates the recoverable gas for 20 acres to be 2.1 BCF. The

proposed density is identical to the density rules for the Pawnee (Edwards) Field which has been producing from the Edwards in the same trend area as the subject field.

Minimum well spacing of 330'/330' (lease line/between well) will provide uniform flexibility in locating wells in the subject consolidated field. The proposed minimum well spacing is identical to the spacing rules for the Pawnee (Edwards) Field.

The proposed two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% acreage and 5% deliverability satisfies this requirement. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended as the allocation formula is currently suspended in each of the three fields.

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 Word, N. (Edwards) Field was discovered in 1977 at 3,158' subsurface depth.
 - a. The field is governed by Statewide Rules and currently there are five operators in the field and 73 wells.
 - b. The field is classified as an Associated field and the allocation formula has been suspended since 1993.
4. The Word (Edwards) Field was discovered in 1960 at 3,320' subsurface depth.
 - a. The field is governed by Statewide Rules and currently there are three operators in the field and 9 wells.
 - b. The field is classified as a Non-Associated field and the allocation formula has been suspended since 1993.
5. The Sweet Home (Edwards) Field was discovered in 1978 at 3,490' subsurface depth.
 - a. The field is governed by Statewide Rules and currently there are two operators in the field and 3 wells.

- b. The field is classified as a Non-Associated field and the allocation formula has been suspended since 1993.
- 6. The entire combined correlative interval from 13,460' to 15,730' as shown on the Electric Induction log of the Mobil Oil Company, Spanihel Lease Well No. 1, Jas. Ken- Survey, A-24, Lavaca County, Texas, should be designated as the Word, N. (Edwards) Field.
- 7. Consolidation of the subject fields into the Word, N. (Edwards) Field will provide for the orderly development of the field.
 - a. The subject three fields lie end to end within the Edwards trend in Lavaca County.
 - b. Originally the fields were miles apart and through development over the years the fields have grown together and wells now over lap.
- 8. Proration units of 160/optional 80 acres are necessary to provide for the effective and efficient depletion of the reservoir.
 - a. The Woytek-Edwards Unit 2 has cumulative production of 2.25 BCF of gas and is currently producing 170 MCFD. Volumetric analysis calculates the recoverable gas for 160 acres to be 2.6 BCF.
 - b. The F.V. Matthew No. 1 has cumulative production of 1.23 BCF of gas and is currently producing 7 MCFD. Volumetric analysis calculates the recoverable gas for 80 acres to be 1.9 BCF.
 - c. The W.M. Cranberry Unit has cumulative production of 2.23 BCF of gas and is currently producing 1,000 MCFD. Volumetric analysis calculates the recoverable gas for 20 acres to be 2.1 BCF.
 - d. The proposed density is identical to the density rules for the Pawnee (Edwards) Field which has been producing from the Edwards in the same trend area as the subject field.
- 9. Minimum well spacing of 330'/330' (leaseline/between well) will provide uniform flexibility in locating wells in the subject consolidated field. The proposed minimum well spacing is identical to the spacing rules for the Pawnee (Edwards) Field.
- 10. The proposed two-factor allocation formula is necessary for the protection of correlative rights

pursuant to State Statutes. The proposed two-factor allocation formula based on 5% deliverability and 95% acreage satisfies this requirement.

11. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

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 for consolidation of fields and field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.
5. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31 (j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and field rules for the Word, N. (Edwards) Field.

Respectfully submitted,

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Technical Examiner
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