

OIL AND GAS DOCKET NO. 08-0271003

THE APPLICATION OF CIMAREX ENERGY CO. TO AMEND TEMPORARY FIELD RULE NO. 2 FOR THE FORD, WEST (WOLFCAMP) FIELD, CULBERSON COUNTY, TEXAS

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

HEARING DATE: June 28, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Michael McElroy
Dave Rittersbacher

Cimarex Energy Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Temporary Field Rules for the Ford, West (Wolfcamp) Field were adopted in Final Order No. 08-0269098, effective March 22, 2011. The Field Rules are summarized as follows:

1. Designation of the field as the correlative interval from 9,556 feet to 9,945 feet as shown on the log of the Cimarex Energy Co. - Owl Draw 12 Unit, Well No. 1H;
2. 467'-933' well spacing with special provisions for "take points" and 100 foot "overlapping" laterals in horizontal wells;
3. 320 acre gas units with a special formula for the assignment of acreage to horizontal wells;
4. Allocation based on 75% acres and 25% per well.

Cimarex Energy Co. ("Cimarex") requests that Temporary Field Rule No. 2 be amended as follows:

2. 467'-933' well spacing with special provisions for "take points", 100 foot "overlapping" laterals and "off-lease" penetration point in horizontal wells;

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The application was unopposed and the examiner recommends that Temporary Field Rule No. 2 for the Ford, West (Wolfcamp) Field be amended, as proposed by Cimarex.

DISCUSSION OF EVIDENCE

The Ford, West (Wolfcamp) Field was discovered in November 2010 at an average depth of 10,000 feet. The field is classified as a non-associated gas field and, although there are no wells carried on the proration schedule, Cimarex has drilled and completed six horizontal wells. Temporary Field Rules provide for a designated interval, 467'-933' well spacing with special provisions for "take points" and 100 foot "overlapping" laterals in horizontal wells, 320 acre gas units with a special formula for the assignment of acreage to horizontal wells and allocation based on 75% acres and 25% per well. To date, no production has been reported from the field.

Cimarex is proposing to drill additional horizontal wells and requests an "off-lease" penetration point for horizontal wells. Cimarex plans to drill vertical micro-seismic monitor wells and, after fracing the adjacent horizontal well, drill the monitor well horizontally to develop the offset lease tract. As result, it is beneficial to penetrate the reservoir off lease, while still having "take points" no closer to lease lines than allowed under the field rules.

Cimarex requests that Temporary Field Rule No. 2 be amended for the subject field to provide for an off-lease penetration point. Statewide Rule 86 requires that the penetration point of a horizontal drainhole be on the lease. In this field, a well generally requires approximately 600 feet to 800 feet of horizontal displacement to make the 90 degree turn from vertical to horizontal. The proposed rule would allow operators to drill horizontal wells with the penetration point, as defined by Rule 86, off of the lease, as long as no take-point is closer than 467' to the lease line. Cimarex proposes that an offsite penetration point be allowed after notice to the mineral owners of the off-lease tract on which the penetration point is to be located and if no protest is received.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Ford, West (Wolfcamp) Field was discovered in November 2010 at an average depth of 10,000 feet. The field is classified as a non-associated gas field and, although there are no wells carried on the proration schedule, Cimarex has drilled and completed six horizontal wells.
3. Temporary Field Rule No. 2 for the Ford, West (Wolfcamp) Field provides for 467'-933' well spacing with special provisions for "take points" and 100 foot "overlapping" laterals in horizontal wells.

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4. The Ford, West (Wolfcamp) Field is actively being developed with horizontal drainhole wells.
5. A Temporary Field Rule No. 2 that provides for 467'-933' well spacing with special provisions for "take points", 100 foot "overlapping" laterals and "off-lease" penetration point in horizontal wells will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
6. An "off-lease" penetration point in horizontal wells will allow vertical micro-seismic monitor wells to be drilled horizontally and develop the offset lease tract.

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. Amending Temporary Field Rule No. 2 for the Ford, West (Wolfcamp) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend Temporary Field Rule No. 2 for the Ford, West (Wolfcamp) Field, as proposed by Cimarex Energy Co.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner