

**OIL AND GAS DOCKET NO. 10-0253876**

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**THE APPLICATION OF CIMAREX ENERGY CO. TO AMEND THE FIELD RULES FOR THE BUFFALO WALLOW (GRANITE WASH) FIELD, WHEELER AND HEMPHILL COUNTIES, TEXAS**

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**Heard by:** Andres J. Trevino P.E., Technical Examiner

**Hearing Date:** December 6, 2007

**Appearances:**

**Representing:**

Flip Whitworth  
John Hicks  
Kerry Pollard  
Tony Cristelli  
Chris Carson  
Kevin Smith  
Mike Fouke

Cimarex Energy Co.

Sandra Buch

Devon Energy Production Company

Glenn Johnson  
David Triana

Samson Lone Star LLC

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Field rules for the Buffalo Wallow (Granite Wash) Field were originally adopted on January 3, 1979 in Docket No. 10-70,837. The rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 10,925 feet to 13,842 feet as shown on the log of the Holland "C" No. 2057;
2. 467'-0' well spacing;

3. a. 640 acre gas units; b. 40 acre oil units; optional 20 acre units;
4. Allocation based on 95% deliverability/potential and 5% per well with AOF status;

It is requested that the field rules be amended as follows:

1. No change;
2. No change;
3. No change in density rules;
4. New rule, special provisions for spacing of stacked lateral wells;
5. No change in allocation formula.

These proposed rules are slightly different from the rules originally proposed by Cimarex. After negotiations between the parties and additional notice to all operators, the rules set out above were requested.

This application was unopposed and the examiner recommends that the field rules for the Buffalo Wallow (Granite Wash) Field be amended as proposed.

### **DISCUSSION OF EVIDENCE**

The Buffalo Wallow (Granite Wash) Field was discovered in 1974 and there are currently 709 wells producing from the field. Average monthly production is about 4 BCF per month. Cumulative production from the field is about 210 BCF of gas and 3.65 MMBC of condensate. The field is classified as associated prorated with AOF status. There are 2 oil wells carried in the field.

The Lard Ranch (Granite Wash -C-) Field is located approximately 30 miles to the northwest of the Buffalo Wallow (Granite Wash) Field. Operators have been drilling horizontal wells in the Lard Ranch (Granite Wash -C-) Field since about 2005. Prior to 2005, there were only 3 producing wells in the field. Currently, there are 30 producing wells in the field. Production from that field has increased from 40 MMCF per year in 2005 to over 4,500 MMCF in 2006.

Cimarex believes that horizontal drilling in the Buffalo Wallow (Granite Wash) Field will have comparable results to the Lard Ranch (Granite Wash -C-) Field. However, the Granite Wash formation in the Buffalo Wallow (Granite Wash) Field is thicker (2,917 feet) than the Lard Ranch Field (86 feet) and several horizontal laterals may be necessary in some wells.

Cimarex believes that the Granite Wash formation in the subject field will require development using no more than 2 horizontal laterals per vertical wellbore, and as many as five separate laterals will be necessary in some areas. This approach to development has been successful in the Newark, East (Barnett Shale) Field which is governed by rules for "stacked lateral" wells. Cimarex requests a rule for Buffalo Wallow which mirrors the Newark rules. Such rule would allow stacked horizontal laterals within the Granite Wash correlative interval that are drilled from different wellbores to be considered a single well for regulatory purposes. It is proposed that stacked lateral be defined to be multiple horizontal drainholes which are drilled (1) from different surface locations on the same lease unit no more than 200 feet from each other at the surface and (2) no more than 300 feet from each other in a horizontal plane within the correlative interval. At the depth of the Granite Wash and the expected high pressures, temperatures and casing limitations, it would not be economically feasible to complete all horizontal laterals in a single vertical well.

In relation to the stacked lateral proposed rule, Samson requests that production from each lateral assigned to a stacked lateral wellbore be reported separately. This separate production report will be a supplement to the PR report for the stack lateral well. The Commission's compliance section has designed a form for use in conjunction with this reporting.

#### **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. Field rules for the Buffalo Wallow (Granite Wash) Field provide 467'- 0' well spacing, 640/optional 20 acre units and allocation based on 95% deliverability/potential and 5% per well with AOF status.
3. The Buffalo Wallow (Granite Wash) Field was discovered in 1974 and there are currently 709 gas wells producing from the field.
4. Horizontal drilling in the field is expected to increase reserves.
  - a. The Lard Ranch (Granite Wash -C-) Field is located approximately 30 miles to the northwest of the Buffalo Wallow (Granite Wash) Field.
  - b. Horizontal drilling in the Lard Ranch (Granite Wash -C-) Field has resulted in increased production from 40 MMCF per year in 2005 to over 4,500 MMCF in 2006.

5. The Granite Wash designated interval in the Buffalo Wallow (Granite Wash) Field is 2,917 feet thick and the designated interval in the Lard Ranch field is 86 feet thick. The Buffalo Wallow wells may require several horizontal laterals in some wells to effectively and efficiently drain the reservoir.
6. The proposed "stacked lateral" rule for the Buffalo Wallow (Granite Wash) Field will allow stacked horizontal laterals within the Granite Wash correlative interval that are drilled from different wellbores to be considered a single well for regulatory purposes.

### **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 the field rules for the Buffalo Wallow (Granite Wash) Field as proposed by Cimarex Energy Co. is necessary to prevent waste and protect correlative rights.

### **RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends that the field rules for the Buffalo Wallow (Granite Wash) Field be amended as proposed by Cimarex.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Examiner