

OIL AND GAS DOCKET NO. 10-0253877

THE APPLICATION OF CIMAREX ENERGY CO. OF COLORADO TO AMEND THE FIELD RULES FOR THE RED DEER CREEK (GRANITE WASH) FIELD, ROBERTS AND HEMPHILL COUNTIES, TEXAS

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. of Colorado

Sandra Buch

Devon Energy Production Company

Mickey R. Olmstead

Rockford Energy Partners, LLC.

Glenn Johnson

Samson Lone Star LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Red Deer Creek (Granite Wash) Field were originally adopted on October 15, 1979 in Docket No. 10-72,846. The rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 8,470 feet to 10,615 feet as shown on the log of the Marion Osborn Well No. 2026;

2. 467'-933' well spacing;
3. 160 acre gas units plus 10% tolerance; optional 40 acre units;
4. Allocation based on 75% deliverability and 25% per well, Allocation formula suspended.

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

1. No Change;
2. 467'-467' well spacing;
3. No Change in density, with special provisions for Rule 38 exceptions after notice and exemption from filing proration plats while allocation formula is suspended;
4. No Change, continuation of AOF status.

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 Red Deer Creek (Granite Wash) Field be amended as proposed.

DISCUSSION OF EVIDENCE

The Red Deer Creek (Granite Wash) Field was discovered in 1978 and there are currently 75 wells producing from the field. Average monthly production is about 688 MMCF per month. Cumulative production from the field is about 32.8 BCF of gas. The field is classified as associated gas with AOF status. There are no oil wells currently carried in the field.

Cimarex believes that some areas of the subject field must be developed to a density greater than 40 acres per well. As an example, Cimarex's 640 acre Byrum lease is already developed to an average of 35.5 acres per well. Cimarex has obtained many Rule 38 exceptions on this lease. When Well No. 21 on the lease was recently permitted, Cimarex provided evidence that remaining recoverable reserves on the lease at the current pressure were 26.3 BCF of gas. Even with the numerous Rule 38 exceptions granted for the lease, there would still be 13.3 BCF of gas unrecovered by existing wells. However, Cimarex acknowledges that there are areas of the field which do not need to be developed as densely. It is therefore requested that the 160/optional 40 acre density rule remain in effect, but that special provisions be adopted for the field which will allow the administrative

approval of Rule 38 exceptions after notice to all operators and unleased mineral owners of tracts within 660 feet of any point on a horizontal well within the correlative interval. If no written protest is received after 21 days of Commission issued notice of an application, or if waivers are received, the application will be approved administratively without the filing of evidence to support the exception. If a written protest is received, the application will be set for hearing. This same procedure has been in place in the Spraberry (Trend Area) Field since the field rule was adopted in Oil & Gas Docket 08-0213934 in 1997.

Cimarex requests that the spacing rules for the field be amended to accommodate drilling of additional infill wells. Cimarex requests that the minimum lease line spacing of 467 feet be maintained for all wells and that spacing between wells be maintained at a minimum of 467 feet. This will allow operators to complete additional infill wells without the need to obtain a Rule 37 exception. Cimarex also requests that no proration plats be filed as acreage is not part of the allocation formula and while the allocation formula remains suspended.

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. There was no protest at the call of the hearing.
3. The Red Deer Creek (Granite Wash) Field was discovered in 1978.
4. The field is an associated gas field. Rules governing the field provide for 467'-933' well spacing, 160/optional 40 acre density and 75% deliverability and 25% per well allocation.
5. There are 75 active gas wells in the field and currently no oil wells on the proration schedule.
6. Certain leases in the field require additional infill drilling to maximize recovery from the field.
 - a. Cimarex's Byrum Lease (Section 4) has 18 wells permitted at an average density of 35.5 acres per well.
 - b. With current drainage and permitted wells approximately 50% of recoverable reserves from the Lease will not be recovered.
 - c. Current density rules will not allow effective drainage of remaining reserves.

7. The correlative interval from 8,470 feet to 10,615 feet as shown on the log of the Marion Osborn Well No. 2026 includes the entire Granite Wash interval remains unchanged.
8. Spacing a minimum of 467 feet from lease lines and 467 feet between wells will allow the recovery of additional reserves through flexible well spacing and additional infill drilling.
9. The proposed Statewide Rule 38 exception language has been in place in the Spraberry (Trend Area) Field since 1997 by Oil & Gas Docket 08-0213934.

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 Red Deer Creek (Granite Wash) Field as proposed by Cimarex Energy Co. of Colorado 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 Red Deer Creek (Granite Wash) Field be amended as proposed by Cimarex and the allocation formula remain suspended.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner