

OIL AND GAS DOCKET NO. 10-0258184

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

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Hearing Date: August 20, 2008

Appearances:

Representing:

Philip Whitworth
Davin McGinnis
Kevin Smith
Chris Carson
Jennifer Hellman

Cimarex Energy Co.

Sandra Bolz Buch

Devon Energy Production Co., LP

James M. Clark

Samson Lone Star, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Hemphill (Granite Wash) Field were originally adopted on April 30, 1979 in Docket No. 10-70,565, as amended. The rules currently in effect for the field are summarized as follows:

1. Correlative interval from 10,565 feet to 12,710 feet as shown on the log of the Hobart Ranch Lease, Well No. 8-68;
2. 467' spacing to lease lines for horizontal and vertical wells; 467' spacing between vertical wells and vertical and horizontal wells; no minimum between-well spacing requirement between horizontal wells;
3. 160 acre/optional 80 acre density, with special provisions for Rule 38 exceptions after notice;
4. Allocation based on 95% deliverability and 5% per well, with AOF status.

Cimarex Energy Co. requests that the rules be amended to include a special

provision that distances for horizontal wells be based on the closest “take point” in a horizontal well.

The application was unopposed and the examiner recommends that the Field Rules for the Hemphill (Granite Wash) Field be amended as proposed by Cimarex.

DISCUSSION OF EVIDENCE

The Hemphill (Granite Wash) Field was discovered in January 1964. The field is an associated gas field with 441 gas wells and 3 oil wells carried on the proration schedules. The allocation formula is currently suspended. Cumulative production from the field through April 2008 is 438.7 BCFG and 6.1 MMBO.

Operators are currently developing the field with horizontal wellbores. Cimarex requests that a field rule be adopted which includes language relevant to measurement of distances to lease lines for horizontal drainhole wells. Cimarex’s proposed rule specifies that, for purposes of lease line and between-well spacing, the nearest “take point” in a horizontal well be used. This take-point could be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased well. Similar rules have been adopted in other tight reservoirs, including the Barnett Shale and Cotton Valley Sand fields.

The proposed rule would allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line. Horizontal drainhole length on a lease is then maximized, resulting in additional recovery of gas.

Cimarex stated that an effective lateral gain length of 387 feet could be obtained by moving the penetration point closer to the lease line. Cimarex studied 26 horizontal Granite Wash wells in the area and calculated an average gas recovery of 700 MCFG per lateral foot of drainhole. Therefore, the 387 feet of lateral gain length will result in the recovery of an additional 270 MMCFG per horizontal drainhole.

For purposes of assignment of additional acreage pursuant to Rule 86, it is proposed that the distance between the first and last take-point in a horizontal well be used.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. Field rules for the Hemphill (Granite Wash) Field provide for a designated interval, 467' spacing to lease lines for horizontal and vertical wells, 467' spacing between vertical wells and vertical and horizontal wells, no minimum between-well spacing requirement between horizontal wells and 160 acre units with optional 80 acre density and special provisions for Rule 38 exceptions after notice.
3. The Hemphill (Granite Wash) Field was discovered in January 1964. The field is an associated gas field with 441 gas wells and 3 oil wells carried on the proration schedules. The field is actively being developed with horizontal drainhole wells.
4. A spacing rule which utilizes "take-points" in a horizontal well for determination of distances to lease lines will prevent waste and will not harm correlative rights.
 - a. The Granite Wash is a tight formation and is not commercially productive unless fracture-stimulated.
 - b. A take-point in a horizontal well in this field may be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased portion of the wellbore.
 - c. Adoption of the proposed rule would allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line.
 - d. Adoption of the proposed rule will allow the horizontal drainhole length on a lease to be maximized.
5. By moving the penetration point closer to the lease line, an effective lateral gain length of 387 feet can be obtained, which will result in the recovery of an additional 270 MMCFG per horizontal drainhole.
6. For purposes of assignment of additional acreage pursuant to Rule 86, the distance between the first and last take-point in a horizontal well should be used.

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 Hemphill (Granite Wash) 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 the field rules for the Hemphill (Granite Wash) Field as proposed by Cimarex.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner