

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

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

HEARING DATE: February 13, 2009

APPEARANCES:

REPRESENTING:

Philip Whitworth
Tim Smith

Cimarex Energy Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Buffalo Wallow (Granite Wash) Field were adopted in Oil and Gas Docket No. 10-70,837, effective January 3, 1979, as amended. The rules 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" Lease, Well No. 5712;
2. 467'-0' well spacing with special provisions for take points in horizontal wells;
3. 640 acre gas units and 40 acre oil units with optional 20 acre gas and oil units;
4. Special provisions for stacked laterals in horizontal wells;
5. Allocation based on 95% deliverability/potential and 5% per well with AOF status.

Cimarex Energy Co. ("Cimarex") requests that the Field Rules be restated in their entirety to correct errors and omissions in existing Railroad Commission documents.

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

OIL AND GAS DOCKET NO. 10-0260701

DISCUSSION OF EVIDENCE

The Buffalo Wallow (Granite Wash) Field was discovered in September 1974. The field is an associated gas field with 534 gas wells and 4 oil wells carried on the proration schedules. The allocation formula is currently suspended. Cumulative production from the field through January 2009 is 334.1 BCFG and 5.2 MMBO.

Operators are currently developing the field with horizontal wellbores and there have been eight field rule hearings since 1979. Cimarex requests that the Field Rules be restated in their entirety to correct errors and omissions in existing Railroad Commission documents. Correcting and updating the Field Rules for the Buffalo Wallow (Granite Wash) Field will provide consistency with the Mendota, N. W., Red Deer Creek and Hemphill Fields, which are the other three Granite Wash fields in the area.

Optional 20 acre units were adopted in Oil and Gas Docket No. 10-0238004, effective November 4, 2004. However, the optional 20 acre units have been inconsistently reflected in existing Railroad Commission documents for both the oil and gas portions of the field. Accordingly, in the orders following November 4, 2004, the requirement for no maximum diagonal limitation and no filing of Form P-15 or proration unit plats for any well in the field has also been inconsistently applied to both the oil and gas portions of the field. In addition, the most recent version of the special provisions for take points and stacked laterals in horizontal wells were incorporated into the Field Rules for the Buffalo Wallow (Granite Wash) Field

Cimarex also requests that the allocation formula remain suspended, as there is a 100% market for all the gas produced and that the filing of Form P-15 and proration plats not be required.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Buffalo Wallow (Granite Wash) Field was discovered in September 1974. The field is an associated gas field with 534 gas wells and 4 oil wells carried on the proration schedules. The field is actively being developed with horizontal drainhole wells.
3. Field Rules for the Buffalo Wallow (Granite Wash) Field provide for a designated interval, 467'-0' well spacing, 640 acre gas units and 40 acre oil units with optional 20 acre gas and oil units, special provisions for take points and stacked laterals in horizontal wells and allocation based on 95% deliverability/potential and 5% per well with AOF status.

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4. Errors and omissions currently exist in Railroad Commission documents for both the oil and gas portions of the Buffalo Wallow (Granite Wash) Field.
 - a. Optional 20 acre units have been inconsistently reflected in existing Railroad Commission documents.
 - b. The requirement for no maximum diagonal limitation and no filing of Form P-15 or proration unit plats for any well in the field has also been inconsistently applied.
 - c. The Field Rules did not contain the most recent version of the special provisions for take points and stacked laterals in horizontal wells.
5. Correcting and updating the Field Rules for the Buffalo Wallow (Granite Wash) Field will provide consistency with the Mendota, N. W., Red Deer Creek and Hemphill Fields, which are the other three Granite Wash fields in the area.
6. Continuation of the administrative suspension of the allocation formula for the proposed field is appropriate as there is a 100% market demand for gas in the field.

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 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 Buffalo Wallow (Granite Wash) Field as proposed by Cimarex.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner