

May 13, 2005

OIL AND GAS DOCKET NO. 04-0242584

APPLICATION OF DEVON ENERGY PRODUCTION CO., LP. TO CONSOLIDATE VARIOUS FIELDS INTO THE PROPOSED JENNINGS (WILCOX CONSOLIDATED) FIELD AND ADOPT PERMANENT FIELD RULES FOR THE JENNINGS (WILCOX CONSOLIDATED) FIELD, ZAPATA COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: May 4, 2005

APPEARANCES:

Charles Salmon

REPRESENTING:

Devon Energy Production Co., LP.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Devon Energy Production Co., LP. for the Commission to consider consolidating the Jennings, W. (Wilcox 7150), Jennings, W. (Wilcox 7300), Jennings, W. (Wilcox 7600), Jennings, W. (Wilcox 7700), Jennings, W. (Wilcox 7900), Jennings, W. (Wilcox 8200), Jennings, W. (Wilcox 11,750), Jennings, West (Wilcox 7750), Jennings, W. (10,300 Wilcox), Jennings, W. (10,500 Wilcox), Horseshoe Ridge (W-4), Horseshoe Ridge (1st Hinnant) and Martinez (Hinnant) Fields into a new field designation to be known as the Jennings (Wilcox Consolidated) Field. It is proposed that the following permanent special field rules be adopted:

1. The entire combined correlative interval from 7,095' to 10,200' TVD as shown on the Array Induction, Litho Density Compensated Neutron Log of the Devon Energy, Jennings Lease Well No. 71, (API No. 42-505-34247) J.M. Peredo Survey, A-73, Zapata County, Texas, should be designated as the Jennings (Wilcox Consolidated) Field.
2. Minimum well spacing of 467'/1200' (leaseline/between well);
3. 40 acre drilling units;
4. An allocation formula based on 95% deliverability and 5% per well. It is further requested that the allocation formula be suspended.

DISCUSSION OF THE EVIDENCE

The Jennings, W. (Wilcox 7150) Field was discovered in 1978 at 7,152' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.

The Jennings, W. (Wilcox 7300) Field was discovered in 1978 at 7,323' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.

The Jennings, W. (Wilcox 7600) Field was discovered in 1978 at 7,602' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.

The Jennings, W. (Wilcox 7700) Field was discovered in 1978 at 7,736' subsurface depth. The field is governed by Statewide Rules. There are no wells in the field. The field is classified as Non-Associated.

The Jennings, W. (Wilcox 7900) Field was discovered in 1978 at 7,881' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.

The Jennings, W. (Wilcox 8200) Field was discovered in 1978 at 8,225' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. There are no wells in the field. The field is classified as Non-Associated.

The Jennings, W. (Wilcox 11,750) Field was discovered in 1993 at 12,620' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated.

The Jennings, West (7750) Field was discovered in 1980 at 7,685' subsurface depth. The field is governed by Statewide Rules. There are no wells in the field. The field is classified as Non-Associated.

The Jennings, W. (10,300 Wilcox) Field was discovered in 1999 at 10,220' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated.

The Jennings, W. (10,500 Wilcox) Field was discovered in 1995 at 10,490' subsurface depth. The field is governed by Statewide Rules. There are no wells in the field. The field is classified as Non-Associated.

The Horseshoe Ridge (W-4) Field was discovered in 1987 at 8,050' subsurface depth. The

field is governed by Statewide Rules. The allocation formula is suspended. The field is classified as Non-Associated.

The Horseshoe Ridge ((1st Hinnant)) Field was discovered in 1988 at 7,804' subsurface depth. The field is governed by Statewide Rules. The allocation formula is suspended. The field is classified as Non-Associated.

The Martinez (Hinnant)) Field was discovered in 1961 at 9,624' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated.

Consolidation of the subject fields into the proposed Jennings (Wilcox Consolidated) Field will provide for the recovery of reserves that otherwise would go unrecovered. Well completions in the consolidation section will allow for timely completions in those zones where lenticular sands are present which in effect lowers the economic producing limit for all the zones and will increase the ultimate recovery from each member. Allows more timely production of the various zones and eliminates the need to drill unnecessary wells. Will reduce the amount of mechanical work performed in a wellbore for dual or multiple completions. The entire combined correlative interval from 7,095' to 10,200' TVD as shown on the Array Induction, Litho Density Compensated Neutron Log of the Devon Energy, Jennings Lease Well No. 71, (API No. 42-505-34247) J.M. Peredo Survey, A-73, Zapata County, Texas, should be designated as the Jennings (Wilcox Consolidated) Field.

Commingling allows the production of marginally productive zones that otherwise would be bypassed for more economic completions up-hole. Currently there are 17 active wellbores and 20 completions. Current production ranges from 14 to 630 MCFD. The current production from all the wells is 1,885 MCFD and 5 barrels of condensate per day. Cumulative production from the fields is 100.9 BCF of gas and 23,200 barrels of condensate. It is estimated that by lowering the economic limit per individual zone approximately 27,400 MCF of incremental gas will be recovered per zone. The reservoir properties of the Wilcox reservoirs are similar.

Minimum well spacing of 467'/1200' (leaseline/between well) will provide uniform flexibility in locating wells in the subject consolidated field. The fields have been developed to date on this spacing.

The consolidation of the field is a final effort to recover reserves that will otherwise go unrecovered and is a salvage effort. A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement. Devon is the only operator with active wells in the subject fields and states that it has 100% market for all its produced gas and requests the allocation formula be suspended in the consolidated field.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Jennings, W. (Wilcox 7150) Field was discovered in 1978 at 7,152' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.
4. The Jennings, W. (Wilcox 7300) Field was discovered in 1978 at 7,323' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.
5. The Jennings, W. (Wilcox 7600) Field was discovered in 1978 at 7,602' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.
6. The Jennings, W. (Wilcox 7700) Field was discovered in 1978 at 7,736' subsurface depth. The field is governed by Statewide Rules. There are no wells in the field. The field is classified as Non-Associated.
7. The Jennings, W. (Wilcox 7900) Field was discovered in 1978 at 7,881' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. The allocation formula is suspended. The field is classified as Non-Associated.
8. The Jennings, W. (Wilcox 8200) Field was discovered in 1978 at 8,225' subsurface depth. Special field rules provide for minimum well spacing of 467'/1200' (leaseline/between well); 40 acre gas proration unit density. There are no wells in the field. The field is classified as Non-Associated.
9. The Jennings, W. (Wilcox 11,750) Field was discovered in 1993 at 12,620' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated.
10. The Jennings, West (7750) Field was discovered in 1980 at 7,685' subsurface depth. The field is governed by Statewide Rules. There are no wells in the field. The field is classified as Non-Associated.
11. The Jennings, W. (10,300 Wilcox) Field was discovered in 1999 at 10,220' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated.
12. The Jennings, W. (10,500 Wilcox) Field was discovered in 1995 at 10,490' subsurface depth.

- The field is governed by Statewide Rules. There are no wells in the field. The field is classified as Non-Associated.
13. The Horseshoe Ridge (W-4) Field was discovered in 1987 at 8,050' subsurface depth. The field is governed by Statewide Rules. The allocation formula is suspended. The field is classified as Non-Associated.
 14. The Horseshoe Ridge ((1st Hinnant)) Field was discovered in 1988 at 7,804' subsurface depth. The field is governed by Statewide Rules. The allocation formula is suspended. The field is classified as Non-Associated.
 15. The Martinez (Hinnant)) Field was discovered in 1961 at 9,624' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated.
 16. The entire combined correlative interval from 7,095' to 10,200' TVD as shown on the Array Induction, Litho Density Compensated Neutron Log of the Devon Energy, Jennings Lease Well No. 71, (API No. 42-505-34247) J.M. Peredo Survey, A-73, Zapata County, Texas, should be designated as the Jennings (Wilcox Consolidated) Field.
 17. Consolidation of the subject fields into the proposed Jennings (Wilcox Consolidated) Field will provide for the recovery of reserves that otherwise would go unrecovered.
 - a. Well completions in the consolidation section will allow for timely completions in those zones where lenticular sands are present which in effect lowers the economic producing limit for all the zones and will increase the ultimate recovery from each member.
 - b. Allows more timely production of the various zones and eliminates the need to drill unnecessary wells.
 - c. Will reduce the amount of mechanical work performed in a wellbore for dual or multiple completions.
 - d. The current production from all the wells is 1,885 MCFD and 5 barrels of condensate per day.
 - e. It is estimated that by lowering the economic limit per individual zone approximately 27,400 MCF of incremental gas will be recovered per zone.
 - f. The reservoir properties of the Wilcox reservoirs are similar.
 18. Minimum well spacing of 467'/1200' (leaseline/between well) will provide uniform flexibility in locating wells in the subject consolidated field. The fields have been developed to date on this spacing.

19. A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement.
 - b. The allocation formula should be suspended as Devon, the only active operator in the fields, states that it has 100% market for all its produced gas.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration for consolidation of fields and field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and field rules for the Jennings (Wilcox Consolidated) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel