

OIL AND GAS DOCKET NO. 04-0253475

THE APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, LP TO CONSIDER A NEW FIELD DESIGNATION CALLED THE LAS HERMANITAS (WILCOX CONS.) FIELD, CONSOLIDATION OF THE NEW FIELD WITH THE PROSPERO (2ND HINNANT) FIELD AND FIELD RULES FOR THE LAS HERMANITAS (WILCOX CONS.) FIELD, DUVAL COUNTY, TEXAS

Heard by: Donna K. Chandler on October 19, 2007

Appearances:

Clark Jobe
Mimi Winetroub
Rex Howell

Representing:

Devon Energy Production Company, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Devon Energy Production Company requests approval of a new field designation called the Las Hermanitas (Wilcox Cons.) Field. Devon also requests that the Prospero (2nd Hinnant) Field be consolidated into the new field. The temporary field rules proposed for the Las Hermanitas (Wilcox Cons.) Field are summarized as follows:

1. Designated interval from 8,380 feet to 10,270 feet as shown on the log of the Bishop Cattle Company Well No. 1;
2. 467'-1,200' well spacing;
3. 160 acre gas units with 10% tolerance;
4. Allocation based on 95% deliverability and 5% per well.

This application was unopposed and the examiner recommends approval of the application, with the exception of the allocation formula. The examiner recommends that allocation be based on 50% acreage and 50% deliverability. Devon did not consider this to be an adverse recommendation.

DISCUSSION OF THE EVIDENCE

The Prospero (2nd Hinnant) Field was discovered in 1991. There are currently two wells completed in the field, both operated by Alliance Resources Corporation. The field operates under Statewide Rules.

Devon completed its Shovlin No. 1 in July 2007 with perforations in the 2nd Hinnant of the Wilcox from 8,934 feet to 8,964 feet, and in the 7th Hinnant from 10,128 feet to 10,158 feet. The 2nd Hinnant perforations are correlative to the productive interval for wells in the Prospero (2nd Hinnant) Field. There are no wells within 2½ miles which have produced from the 7th Hinnant. The only production which penetrated the 7th Hinnant within 2½ miles is from the deeper House Sand.

Devon requests that a new field be established which includes the Hinnant 1 thru Hinnant 7 sands. The proposed new field is shown on the log of the Bishop Cattle Company Well No. 1 between 8,380 feet and 10,270 feet.

Some of the Hinnant sands proposed for consolidation would not be economic to complete on an individual basis. Devon estimates that a minimum of 70 MMCF of additional gas per well can economically be recovered as a result of commingling just two zones. Devon plans to drill 10-12 more wells for these sands. An additional consideration for commingling is the corrosive nature of the produced gas, which would likely result in wellbore failure prior to each zone being consecutively produced.

There is limited production available for the Shovlin No. 1. However, Devon provided volumetric reserve calculations for seven other nearby wells which produce from combinations of the 1st, 3rd, 4th and 7th Hinnants. For these various wells, ultimate recoveries ranges from 1,231 MMCF to 5,014 MMCF. The calculated drainage areas for these seven wells range from 70 acres to 320 acres. Devon's preliminary estimated ultimate recovery from the Shovlin No. 1 is 2.1 BCF.

The requested 467'-1,200' well spacing will provided flexibility in locating wells in these highly faulted Hinnant sands. A two factor allocation formula is necessary to meet statutory requirements for combining multiple lenticular intervals into a single field. The allocation formula based on 50% acreage and 50% deliverability will protect correlative rights and meet statutory requirements.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Prospero (2nd Hinnant) Field was discovered in 1991. There are currently two wells completed in the field, both operated by Alliance Resources Corporation. The field operates under Statewide Rules.

3. The Shovlin No. 1 recently completed by Devon is entitled to a new field designation for the perforations in the 7th Hinnant.
 - a. The Shovlin No. 1 has perforations in the 2nd Hinnant of the Wilcox from 8,934 feet to 8,964 feet, and in the 7th Hinnant from 10,128 feet to 10,158 feet.
 - b. The 2nd Hinnant perforations are correlative to the productive interval for wells in the Prospero (2nd Hinnant) Field.
 - c. There are no wells within 2½ miles which have produced from the 7th Hinnant.
4. The Las Hermanitas (Wilcox Cons.) Field should be established to include the Hinnant 1 thru Hinnant 7 sands. The field should be designated as the correlative interval between 8,380 feet and 10,270 feet on the log of the Bishop Cattle Company Well No. 1. This includes the Prospero (2nd Hinnant) Field.
5. The proposed field consolidation will result in the recovery of additional reserves as a result of commingling the various Hinnant sands in the proposed consolidated interval.
6. The Shovlin No. 1 can reasonably be expected to drain 160 acres.
 - a. Estimated ultimate recoveries for wells completed in various Hinnant sands in nearby wells range from 1,231 MMCF to 5,041 MMCF.
 - b. The calculated drainage areas for these seven wells range from 70 acres to 320 acres.
 - c. Estimated ultimate recovery from the Shovlin No. 1 is 2.1 BCF of gas, based on very little production history.
7. The requested 467'-1,200' well spacing will provided flexibility in locating wells in these highly faulted Hinnant sands.
8. Allocation based on 50% acreage and 50% deliverability will protect correlative rights and meet statutory requirements.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.

2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the Prospero (2nd Hinnant) Field into a new field called the Las Hermanitas (Wilcox Cons.) Field and adopting field rules for the Las Hermanitas (Wilcox Cons.) Field is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Prospero (2nd Hinnant) Field be consolidated into a new field called the Las Hermanitas (Wilcox Cons.) Field and that temporary field rules be adopted for the Las Hermanitas (Wilcox Cons.) Field as set out in the attached Final Order, subject to review in 18 months.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner