



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NOS. 8A-0267389 & 8A-0267390

THE APPLICATION OF DEVON ENERGY PRODUCTION CO. LP, FOR NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) HOMER (LEONARD-WOLFCAMP) FIELD, GAINES COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on October 27, 2010

Appearances:

Mark Hanna
Christopher Singletary
Josh Kirschner
Brett Hudson

Representing:

Devon Energy Production Co. LP.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Devon Energy Production Co. LP. requests a new field designation called the Homer (Leonard-Wolfcamp) Field be approved for its Willard, R.D. "B" No. 1. Devon also requests that the following rules be adopted for the new field:

1. Designation of the Homer (Leonard-Wolfcamp) Field as the correlative interval from 8,052 feet to 10,858 feet as shown on the Three Detector Litho Density Compensated Neutron/Spectral Gamma Ray log of Devon's Willard RD "B" No. 1;
2. 660' - 1320' well spacing;
3. 160 acre proration units and a maximum diagonal of 4,500 feet and 80 acre optional units;
4. Allocation based on 75% acreage and 25% per well.

During the hearing the applicant's representative requested that the Minga (Leonard-Wolfcamp) Field new field discovery in Docket 8A-0267389 be combined with the Homer (Leonard-Wolfcamp) Field new field discovery in Docket 8A-0267390. It was

requested that the two fields be combined into the Homer (Leonard-Wolfcamp) Field as the two fields will eventually "grow together" as more wells are drilled and would need to hold another hearing to consolidate the two fields. Additionally, the applicant requested 160 acre oil units with optional 80 acre units instead of 160 acre oil units (as drainage calculations would support optional 80 acre units).¹ There were no protests to these applications and the examiner recommends approval of a single new field designation and adoption of temporary field rules.

DISCUSSION OF EVIDENCE

Devon completed its Willard RD "B" No. 1 in March 2010 with perforations in the Leonard and Wolfcamp Formations between 8,894 and 10,834 feet. On initial test, the well produced at a rate of 76 BOPD and 227 BWPD with a 236 GOR. The well was fractured stimulated in seven stages over the entire 2,000 foot interval. Devon completed a second well, nine miles to the northeast, the C.C. Jones et al No. 1 in June 2010 with perforations in the Leonard and Wolfcamp Formations between 9,500 and 10,987 feet. On initial test, the well produced at a rate of 43 BOPD and 67 BWPD with a 395 GOR. The well was fractured stimulated in seven stages over the entire 1,500 foot interval. The two wells were each initially to be used to justify two separate field discoveries. Devon drilled a third well the Willard R.D. "A" No. 1, and verified there is production between the two discovery wells in the same Leonard and Wolfcamp interval.

The new field designation should be approved for the subject well. There are numerous wellbores within the discovery field area of the Willard RD "B" No. 1. The majority of the wells are completed at depths between 5,000 to 6,000 feet and are producing from the San Andres formation. Other wells which have penetrated the Leonard Formation are completed in deeper objectives such as the Devonian found at depths below 13,000 feet. A single well, the Susie Q 751 No. 1, completed in the Susie Q (Leonard) Field, is completed only in the Upper Leonard formation. Three-D seismic data indicates the Susie Q (Leonard) reservoir is of limited size and is a separate oil rich Upper Leonard accumulation. Devon believes the Homer (Leonard-Wolfcamp) play is similar to the Spraberry (Trend Area) play and the Sallie Ann (Wolfberry) play where small individual porosity developments are completed and combined over a large interval to produce an economic well.

Devon requests that the entire correlative interval between 8,052 feet to 10,858 feet in Devon's Willard RD "B" No. 1 be considered a single field. The interval begins at the top of the Tubb and ends at the top of the Lower Wolfcamp. The interval includes the Leonard and a portion of the Upper Wolfcamp Formations. There are other potentially productive zones within the Leonard and the Wolfcamp that may be productive in the future. Decline curve analysis performed on the Willard RD "B" No. 1, the Willard RD "A" No. 1 and the C.C. Jones Et al No.1 show the wells will ultimately produce 47.4 MSTB, 27.1 MSTB and

¹ The Notice of Hearing listed the 160 acre unit well density proposed for temporary rules.

59.7 MSTB, respectfully. Preliminary drainage calculations for the three wells estimates the wells will drain between 86 and 168 acres. Devon requests 160 acre oil units with optional 80 acre units and 660' - 1,320' spacing. Devon requests flexible well spacing to accommodate the optional 80 acre spacing. This interval includes several separate accumulations of hydrocarbons and therefore a two factor allocation formula is required. Devon requests that allocation for wells in the field be based on 75% acreage and 25% per well.

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. Devon Energy Production Co. LP. completed its Willard RD "B" No. 1 in March 2010 with perforations in the Leonard and Wolfcamp Formations between 8,894 and 10,834 feet .
3. On initial test, the well produced at a rate of 76 BOPD and 227 BWPD with a 236 GOR. The well was fractured stimulated in seven stages over the entire 2,000 foot interval.
4. The Willard RD "B" No. 1 is entitled to a new field as there is no other comparable Leonard and Wolfcamp production within 2 ½ miles of the Willard RD "B" No. 1.
5. The entire correlative interval between 8,052 feet to 10,858 feet as shown on the Three Detector Litho Density Compensated Neutron/Spectral Gamma Ray log of Devon's Willard RD "B" No. 1 should be designated as the Homer (Leonard-Wolfcamp) Field .
6. Wells will only be economic if both the Leonard and Wolfcamp formations are completed and produced simultaneously.
7. Adoption of a density rule providing for 160 units with optional 80 acre units is appropriate for this field.
 - a. Decline curve analysis and drainage area calculations were performed for Willard RD "B" No. 1, the Willard RD "A" No. 1 and the C.C. Jones Et al No.1 .
 - b. For the three wells, estimated ultimate recoveries range from 27.1 MSTB to 59.7 MSTB.

- c. For the three wells the calculated drainage areas range 86 and 168 acres.
8. The field interval includes separate accumulations of hydrocarbons and a two factor allocation formula is necessary to consider the interval as a single field. Allocation based on 75% acreage and 25% per well meets statutory requirements.

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. Approval of the requested new field designation and adoption of temporary field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of temporary field rules for the Homer (Leonard-Wolfcamp) Field.

Respectfully submitted,



Andres J. Trevino, P.E.
Technical Examiner