

September 20, 2005

**OIL AND GAS DOCKET NO. 09-0243722**

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**APPLICATION OF CIMAREX ENERGY CO. TO CONSIDER NEW FIELD DESIGNATION AND TEMPORARY FIELD RULES FOR THE PROPOSED TRAILER (HOLMES) FIELD, HARDEMAN COUNTY, TEXAS**

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

**DATE OF HEARING:** September 20, 2005

**APPEARANCES:**

Michael McElroy, lawyer  
Byron W. James  
Kim Nordstog

**REPRESENTING:**

Cimarex Energy Co.

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unopposed application of Cimarex Energy Co. for the Commission to consider new field designation and temporary field rules for the Trailer (Holmes) Field that provide for:

1. The entire correlative interval from 7,537' to 7,553' subsurface depth as shown on the Compensated Neutron log for the Key Energy of Colorado, Long "398" Lease Well No. 3X (API No. 42-197-31316), Sec. 398, Blk A, H. & TC RR Co. Survey, A-1552, Hardeman County, Texas should be recognized and designated as the Trailer (Holmes) Field.
2. Minimum well spacing of 467'/933' (lease line/between well),
3. 40 acre proration units with 20 acre tolerance and maximum diagonal of 2,100'; and
4. An allocation formula based on 100% acreage.

It is also proposed that the Key Energy of Colorado, James Long Lease (28912), the Long "398" Lease (30436) and Masada Oil & Gas, Judd Lease (25631) be transferred to the proposed Trailer (Holmes) Field. The examiner recommends approval of the application.

### DISCUSSION OF THE EVIDENCE

The proposed Trailer (Holmes) Field was discovered by re-completion of the EP Operating, Long "398" Lease Well No. 3X, completed in 1995 in the Right Choice (Chappel) Field through perforations from 7,758' to 7,786'. Key Energy of Colorado plugged the lower perforations and completed the subject well through perforations from 7,538' to 7,550' in March 2005. The closest well producing from a "Holmes" sand was the Judd Lease Well No. 1 some 2100' from the subject well and perforated from 7,575' to 7,585'.<sup>1</sup> Therefore, the well was placed in the Holmes, E. (7750) Field for proration purposes. The Long "398" Lease Well No. 1 potentialed at 137 BOPD, 30 MCFD, and 10 BWPD. Subsequently, Cimarex Energy<sup>2</sup> completed the Long Lease Well No. 6 through perforations from 7,595' to 7,605' in June 2005 and it too was placed in the Holmes, E. (7750) Field. This subsequent well potentialed at 77 BOPD, 0 gas and 0 water.

The Trailer (Holmes) Field should be designated as a new field. Cimarex proceeded with an investigation concerning the Holmes field area. The discovery well for the Holmes, E. (7750) Field is over 6 miles from the subject well and is perforated in a "Holmes" sand that lies directly on top of the Lower Barnett Shale. The field was discovered in 1966 at 7,766' subsurface depth. The "Holmes" sand that is perforated in the Long "398" well is 200 feet higher and is clearly separated from the non-productive "Holmes" sand immediately above the Barnett Shale in the subject well. It is apparent that when the now Masada Oil & Gas, Judd well was completed, it was placed in the Holmes, E. (7750) Field as a field of convenience. The two subsequent wells of Cimarex were likewise placed in the Holmes, E. (7750) because of the proximity of the Judd well. The entire correlative interval from 7,537' to 7,553' subsurface depth as shown on the Compensated Neutron log for the Key Energy of Colorado, Long "398" Lease Well No. 3X (API No. 42-197-31316), Sec. 398, Blk A, H. & TC RR Co. Survey, A-1552, Hardeman County, Texas should be recognized and designated as the Trailer (Holmes) Field. The Key Energy of Colorado, James Long Lease (28912) Well No. 1, and Masada Oil & Gas, Judd Lease (25631) Well No. 1A should be transferred to the proposed Trailer (Holmes) Field. The Long "398" Lease (30436) Well No. 3X should be transferred and designated as the discovery well.

Proration unit density of 40 acres is necessary to provide for the efficient and effective depletion of the reservoir. Basic reservoir parameters are: average porosity 12%, average water saturation 43%, net pay 13 feet, original reservoir pressure 3,375 psia. Cumulative production from the Long Well No. 3X is 19,579 BO and the current production is  $\pm$  100 BOPD. Early production decline analysis estimates an ultimate recovery of 53,400 BO. The calculated drainage area is 45 acres.

The proposed minimum well spacing, 467'/933' (leaseline/between well) is necessary to provide for flexibility in locating wells in the subject field and is the accepted spacing for 40 acre

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<sup>1</sup> At the time the well was operated by R.R.R. Exploration and was prorated in the Holmes E. (7750) Field.

<sup>2</sup> Cimarex Energy is the parent company of Key Energy of Colorado. The name Key Energy of Colorado is used for older properties and Cimarex for new properties.

proration units.

The proposed 100% acreage allocation formula will provide for the protection of correlative rights.

Notice of this hearing application was published in *The Quanah Tribune-Chief*, a newspaper of general circulation in Hardeman County, on August 18 and 25 and September 1 and 8, 2005.

### 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. Notice of this hearing application was published in *The Quanah Tribune-Chief*, a newspaper of general circulation in Hardeman County, on August 18 and 25 and September 1 and 8, 2005.
2. There was no protest at the call of the hearing.
3. The proposed Trailer (Holmes) Field was discovered by re-completion of the EP Operating, Long "398" Lease Well No. 3X. Key Energy of Colorado plugged the lower perforations and completed the subject well through perforations from 7,538' to 7,550' in March 2005.
4. The entire correlative interval from 7,537' to 7,553' subsurface depth as shown on the Compensated Neutron log for the Key Energy of Colorado, Long "398" Lease Well No. 3X (API No. 42-197-31316), Sec. 398, Blk A, H. & TC RR Co. Survey, A-1552, Hardeman County, Texas should be recognized and designated as the Trailer (Holmes) Field.
  - a. The Trailer (Holmes) Field should be designated as a new field as the closest well producing from the Holmes reservoir is over 6 miles from the subject well
5. Proration unit density of 40 acres is necessary to provide for the efficient and effective depletion of the reservoir.
  - a. Cumulative production from the Long Well No. 3X is 19,579 BO and the current production is  $\pm$  100 BOPD.
  - b. Early production decline analysis estimates an ultimate recovery of 53,400 BO.
  - c. The calculated drainage area is 45 acres.
6. The proposed minimum well spacing, 467'/933' (leaseline/between well) is necessary to provide for flexibility in locating wells in the subject field and is the accepted spacing for 40 acre proration units.
7. The proposed 100% acreage allocation formula will provide for the protection of correlative rights.
8. The Key Energy of Colorado, James Long Lease (28912) Well No. 1, and Masada Oil & Gas, Judd Lease (25631) Well No. 1A should be transferred to the proposed Trailer (Holmes) Field. The Long "398" Lease (30436) Well No. 3X should be transferred and designated as the discovery well.

**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 of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed new field designation and temporary 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 new field designation and temporary field rules for the Trailer (Holmes) Field.

Respectfully submitted,

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