

**RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION**

**RULE 37 CASE NO. 0223338
DISTRICT 7C**

**APPLICATION OF EOG RESOURCES,
INC. FOR AN EXCEPTION TO
STATEWIDE RULE 37 TO DRILL ITS
WELL NO. 1, AMACKER-HALFF "85" B
LEASE, AMACKER-TIPPETT
(WOLFCAMP) AND AMACKER-
TIPPETT, SW (WOLFCAMP) FIELDS,
UPTON COUNTY, TEXAS.**

FINAL ORDER

The Railroad Commission of Texas has received and docketed this application for a spacing exception permit under the provisions of Statewide Rule 37 on which a hearing was held on December 29, 1999 and, based on evidence presented at the hearing, makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. At least ten days notice was given to all affected operators in the field, all affected adjacent leases and the unleased mineral interest owner(s) of each tract.
2. The applicable field rules for the Amacker-Tippett (Wolfcamp) Field are 660 foot leaseline spacing and 1320 foot between-well spacing on 160 acre units.
3. The applicable field rules for the Amacker-Tippett, SW (Wolfcamp) Field are 660 foot leaseline spacing and 1320 foot between-well spacing on 160 acre units.
4. The Amacker-Halff "85" B Lease is a 160 acre pooled unit. The unit consists of four tracts: Tract 1 has 2.7 acres; Tract 2 has 1.6 acres; Tract 3 has 77.3 acres and Tract 4 has 78.4 acres.
5. EOG Resources, Inc. ("EOG") has leased 100% of the mineral interest in Tracts 1 and 2. EOG Resources, Inc. has leased 98.6979% of the mineral interest in Tracts 3 and 4. The outstanding unleased mineral interest in Tracts 3 and 4, 1.3021%, belongs to Henry H. Zinn ("Zinn"). Zinn's mineral interest in Tracts 1 and 2 is leased.
6. EOG offered Zinn a lease on the same terms as given to all other undivided mineral interest owners in the Amacker-Halff "85" B Lease. Zinn declined to lease.
7. An exception to Statewide Rule 37 is required because the proposed location is 250 feet south of the southerly north line, 250 feet north of the northerly south line and 250 feet east of the westerly west line of the unit. The proposed location is also 127 feet west of an internal leaseline created by the unleased mineral interest of Zinn in Tracts 3 and 4.

8. Notice of Application in Rule 37 Case No. 0223338 was sent to Zinn on November 23, 1999. Notice of Hearing in Rule 37 Case No. 0223338 was sent to Zinn on December 10, 1999, specifying the date and location of the hearing.
9. By letters to the Railroad Commission of Texas dated November 27, 1999 and December 14, 1999, Zinn indicated his intent to protest EOG's Rule 37 application. In those letters, Zinn stated that it would be inconvenient and expensive to attend the hearing in order to protest the application.
10. Neither Zinn nor any other protestant appeared at the December 29, 1999 hearing in Rule 37 Case No. 0223338, the application of EOG for a Rule 37 exception.
11. EOG's drilling target is a small, localized structural high in the Wolfcamp Formation. The structural high is probably the remnant of a detrital flow with a small reef built on top of it. EOG's proposed well location is directly over the high point of the structure.
12. The structural high, and its localized nature, constitutes an unusual condition under the Amacker-Halff "85" B Lease.
13. The reservoir drive is a combination of gravity drainage and gas solution.
14. A well drilled at the high point of the structure will recover 493,916 barrels of oil. A well drilled at the nearest available regular location would, at best, lie on the flank of the structure, and would recover approximately 180,100 barrels of oil. Other regular locations would be farther away from the structure and would recover even less oil.
15. An additional 313,800 barrels of oil, a substantial amount, will be recovered by a well at the proposed location, which could not be recovered by any well at a regular location.
16. The volume of currently recoverable reserves under EOG's Amacker-Halff "85" B Lease is 493,916 barrels of oil.
17. It is not possible for EOG to recover its fair share of recoverable reserves from any well at regular location.
18. The proposed location of Well No. 1, directly over the high point of the structure, is reasonable.
19. The applied-for fields, the Amacker-Tippett (Wolfcamp) and the Amacker-Tippett, SW (Wolfcamp) produce from the same correlative interval, and a completion could be classified in either field.

CONCLUSIONS OF LAW

1. The application on Railroad Commission Form W-1 was properly filed.
2. Proper notice was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
3. A well at the proposed location is necessary to prevent waste.
4. A well at the proposed location is necessary to prevent confiscation.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of EOG Resources, Inc. for a lease line spacing exception permit under the provisions of Statewide Rule 37 to drill Well No. 1, Amacker-Halff "85" B Lease, containing 160 acres of land in the C.C.S.D. & R.G.N.G. RR Co. Survey, Abstract No. A-53, for the Amacker-Tippett (Wolfcamp) and Amacker-Tippett, SW (Wolfcamp) Fields, Upton County, being 10.5 miles in a northwesterly direction from Rankin, Texas, as shown by plat submitted be and is hereby **APPROVED**; and applicant is granted permission to drill Well No. 1, which will be located as follows, subject to the conditions listed below:

250 feet FS'lyNL and 250 feet FW'lyWL of the lease
62 feet FSL and 2530 feet FWL of the survey

CONDITIONS

1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Texas Water Commission. Before drilling a well, the operator must obtain a letter from the Texas Water Commission stating the depth to which water needs protection. Write: Texas Water Commission, Surface Casing, P. O. Box 13087, Capitol Station, Austin, Texas 78711-3087. File a copy of the Water Commission letter with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
3. **Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the docket number.
4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well)

or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.

5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).
6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
7. **Notification of Plugging a Dry Hole.** The operator **MUST** call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification **MUST** be able to advise the district office of the docket number and all water protection depths for that location as stated in the Water Commission letter.
8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.
9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final, unless actual drilling operations have begun. The permit period will not be extended.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Done this _____ day of _____, 2000, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN MICHAEL L. WILLIAMS

COMMISSIONER CHARLES R. MATTHEWS

COMMISSIONER TONY GARZA

ATTEST:

SECRETARY
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