

THE APPLICATION OF EOG RESOURCES, INC. TO CONSIDER NEW FIELD DESIGNATION AND TEMPORARY FIELD RULES FOR THE (PROPOSED) INTREPID FIELD, WEBB COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on February 20, 2009

Appearances:

Doug Dashiell
Mimi Winetroub

Representing:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. requests that a new field designation called the Intrepid Field be approved for its Tully C. Garner Well No. 97H. EOG Resources also requests that the following temporary rules be adopted for the Intrepid Field:

1. Designation of the field as the correlative interval from 9,530 feet measured depth (9,510 feet TVD) and 10,890 feet measured depth (9,798 feet TVD) as shown on the Schlumberger ShortPulse Gamma Ray Log of the Tully C. Garner Well No. 97H;
2. 467' - 0' well spacing, "take point language", 367' terminus take point provision, 40 acre drilling units;
3. Allocation based on 95% deliverability and 5% per well, suspend allocation formula.

There were no protests to this application and the examiner recommends approval of the new field designation and temporary field rules.

DISCUSSION OF EVIDENCE

EOG Resources, Inc. originally completed its Tully C. Garner Well No. 97H in August 2008. The well was completed as a horizontal well with a seven stage frac in the Lower Eagleford Shale between 11,817 and 13,182 feet measured depth (9,800 to 9,805 feet TVD). On initial test, the well produced at a rate of 3,398 MCFD, 57.4 BCPD and 531 BWPD from the lower perforations. Flowing casing pressure was 967 psi.

The new field designation should be approved for the Tully C. Garner Well No. 97H. There is no comparable production within a 2 ½ mile radius of Well No. 97H, as all wells in the area are producing in zones above the proposed interval. The nearest comparable production is 6 ½ miles to the southwest in the Big Reef (Eagleford) Field. Additionally, the Tully C. Garner Well No. 97H encountered virgin pressure of 6,615 psig.

EOG requests that the entire correlative interval between 9,530 feet measured depth (9,510 feet TVD) and 10,890 feet measured depth (9,798 feet TVD) as shown on the Schlumberger ShortPulse Gamma Ray Log in the Tully C. Garner Well No. 97H be considered a single field. This interval includes the Upper and Lower Eagleford Shale.

EOG will be developing the field with horizontal wellbores. EOG requests that a field rules be adopted to allow the flexible placement of horizontal wells. EOG's proposes well spacing of 467'/0' and a rule that specifies that, for purposes of lease line spacing, the nearest "take point" in a horizontal well be used. This take-point could be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased well. Similar rules have been adopted in other tight reservoirs, including the Barnett Shale and Cotton Valley Sand fields. The proposed rule will allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line and the terminus take point is no closer than 367 feet to the lease line. EOG requests the field's density remain at 40 acre units.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. EOG requests that allocation be based on 95% deliverability and 5% per well for the field and the allocation formula be suspended as there is market demand for 100% of the gas produced.

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. EOG Resources, Inc. completed its Tully C. Garner Well No. 97H in November 2008 as a horizontal completion in the Lower Eagleford Shale between 9,530 feet and 10,890 feet (MD). On initial test, the well produced at a rate of 3,398 MCFD, 57.4 BCPD and 531 BWPD from seven frac'd intervals.
2. The Tully C. Garner Well No. 97H is entitled to a new field designation because there is no comparable production within a 2½ mile radius of the subject well.
3. The entire correlative interval from 9,530 feet measured depth (9,510 feet TVD) and 10,890 feet measured depth (9,798 feet TVD) as shown on the Schlumberger ShortPulse Gamma Ray Log of the Tully C. Garner Well No.

97H should be designated as the Intrepid Field.

4. EOG will be developing the field with horizontal wellbores. A spacing rule which utilizes “take-points” in a horizontal well for determination of distances to lease lines will prevent waste and will not harm correlative rights.
 - a. The Eagleford Shale has low permeability and are not commercially productive unless fracture-stimulated.
 - b. A take-point in a horizontal well in this field may be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased portion of the wellbore.
 - c. Adoption of the proposed rule would allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line and 367 feet from the lease line at the terminus.
 - d. Adoption of the proposed rule will allow the horizontal drainhole length on a lease to be maximized.
 - e. The well spacing of 467 feet from lease lines and 0 feet between wells will allow flexible placement of horizontal wells and encourage development.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single field.

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 special field rules for a period of 18 months 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 special field rules for a period of 18 months for the Intrepid Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner