

THE APPLICATION OF EOG RESOURCES, INC. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) INDIAN POINT (CHEYENNE) FIELD, NUECES COUNTY, TEXAS

Heard by: Donna K. Chandler on December 16, 2009

Appearances:

Doug Dashiell
Kenneth Marbach

Representing:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. requests that a new field designation called the Indian Point (Cheyenne) Field be approved for its State Tract 788 Well No. 1. EOG requests that the following field rules be adopted for the new field:

1. Designation of the field as the correlative interval from 12,930 feet TVD to 13,320 feet TVD as shown on the log of the State Tract 788 Well No. 1;
2. Allocation based on 95% deliverability and 5% per well.

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

DISCUSSION OF EVIDENCE

EOG Resources, Inc. completed its State Tract 788 Well No. 1 in September 2009. The well is a directional well with a bottomhole location under Nueces Bay in State Tract 786. The well is drilled to a total depth of 16,160 feet (MD). The well is perforated in two Lower Frio sands between 15,506 feet (MD) and 15,934 feet (MD).

The well was tested for a short time, with a maximum test rate of 4.7 MMCFD. It is expected that the well will produce to sales by the end of the year. EOG estimates that the well is capable of producing up to 15 MMCFD.

The new field designation should be approved for the subject well. There are no wells within a 2½ mile radius of the well which have been drilled to a comparable depth. All other production within 2½ miles is at least 3,000 feet shallower. Additionally, the State Tract 788 No. 1 encountered virgin pressure of 11,434 psi.

EOG requests that the entire correlative interval between 12,930 feet TVD (15,455 feet MD) and 13,320 feet TVD (15,984 MD) in the State Tract 788 Well No. 1 be considered a single field known as the Indian Point (Cheyenne) Field. This interval includes two separate Lower Frio sands.

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.

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 State Tract 788 No. 1 in September 2009 with perforations in two Lower Frio Sands between 15,506 feet MD and 15,934 feet MD.
3. The State Tract 788 No. 1 is entitled to a new field designation.
 - a. There are no wells with a 2½ mile radius of the No. 1 well which have penetrated the subject interval.
 - b. The State Tract 788 No. 1 encountered virgin pressure of 11,434 psi.
4. The entire correlative interval from 12,930 feet TVD (15,455 feet MD) and 13,320 feet TVD (15,984 MD) in the State Tract 788 Well No. 1 should be designated as the Indian Point (Cheyenne) Field.
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 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 field rules for the Indian Point (Cheyenne) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner