

THE APPLICATION OF EOG RESOURCES, INC. FOR MER ALLOWABLES FOR ITS SHANNON HOSPITAL 4 #3 UNIT LEASE WELL NO. 3 AND EAGLE DRAW "11" LEASE WELL NO. 2, NOELKE (WOLFCAMP, LOWER) FIELD, CROCKETT COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: May 15, 2006

Hearing held: June 30, 2006

Appearances

Rick Johnston

Representing

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") wants to produce its Shannon Hospital 4 #3 Unit Lease Well No. 3, Noelke (Wolfcamp, Lower) Field, Crockett County, Texas, at daily rates up to 700 BO.

DISCUSSION OF THE EVIDENCE

The Noelke (Wolfcamp, Lower) Field was discovered in 1977 at 5650' and has a fieldwide MER of 500 BOPD granted in April of 2005. There are seven prorated wells, six of which are operated by EOG and one by Trek Resources. Each of the wells in the Noelke (Wolfcamp, Lower) Field produces from a small patch reef that covers 20-30 acres. There are several injection wells that dispose of produced water below the oil/water contact. There are no gas caps.

The Shannon Hospital 4 #3 Unit Lease Well No. 3 was completed March 13, 2005, with an initial daily potential of 512 BO, 197 MCF and no water. The well was perforated from 5318'-5328' and is flowing. Porosity is 15% in a small reef found between 5220' and 5600'. The base of the oil is at 5350' and there is a 100' transition zone down to the water leg. This well has already produced 93,000 BO and 41 MMCF of gas.

May 6, 2006, perforations were added uphole from 5272' to 5300' to escape the water influx. Before these perforations were added, the well produced about 300 BOPD with a 40-80% oil cut. After the perforations were added, the well came back producing 1200 BO and 400 MCF per day, though the water cut was still 60%.

EOG's evidence included five test periods and the results are shown below:

Choke size	Average oil rate	% oil
18/64	523 barrels	58
28/64	784 barrels	64
38/64	941 barrels	69
30/64	621 barrels	63
24/64	439 barrels	63

The test rates on the above chart indicate that the water cut does not increase significantly at higher oil rates. The gas/oil ratio stayed about 360 cubic feet per barrel except on the 24/64th inch choke where it increased to 450.

All of the offsetting leases are operated by EOG. Cancellation of the 19,000 barrels of overproduction will not harm correlative rights.

FINDINGS OF FACT

1. Notice of this hearing was issued to EOG Resources, Inc., the operator of record for all offsetting leases in the Noelke (Wolfcamp, Lower) Field, on June 7, 2006.
2. The EOG Resources, Inc. Shannon Hospital Lease Well No. 1 was completed in January of 2006 with an initial daily potential of 234 BO, 2 MCF and 188 BW.
3. The Shannon Hospital No. 1 was perforated from 7883'-8282', and received the yardstick allowable of 121 BOPD.
4. Producing the subject well at higher oil rates, up to 160 barrels per day, will not cause waste.
 - a. A test of various producing rates shows that the water cut does not vary significantly at higher oil rates.
 - b. The well does not produce significant amounts of gas.
 - c. The well is being pumped.
5. Cancellation of this well's overproduction will not harm correlative rights as EOG Resources, Inc. operates all of the offsetting leases.

CONCLUSIONS OF LAW

1. Proper notice was given to all necessary parties as required by applicable statutory and regulatory

provisions.

2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. Approval of increased oil allowable for the EOG Resources, Inc. Shannon Hospital Lease Well No. 1, in the Noelke (Wolfcamp, Lower) Field, will prevent waste and promote conservation.
4. Cancellation of the overproduction of the EOG Resources, Inc. Shannon Hospital Lease Well No. 1, in the Noelke (Wolfcamp, Lower) Field, will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the request of EOG Resources, Inc. to produce its Shannon Hospital Lease Well No. 1, in the Noelke (Wolfcamp, Lower) Field, at daily rates up to 0 barrels of oil.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner