

THE APPLICATION OF EOG RESOURCES, INC. TO CONSOLIDATE VARIOUS FIELDS INTO THE (PROPOSED) MIDWAY, SOUTH (CONSOLIDATED) FIELD, SAN PATRICIO COUNTY, TEXAS

Heard by: Andres J, Trevino, P.E. on February 7, 2007

Appearances:

Doug Dashiell
Kenneth Marbach

Representing:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. requests that the Midway, South (Bank), Midway, South (Frio Deep), Midway, South (Frio Deep II), Midway, South (Shell Deep) and Midway, South (Shell Deep II) Fields be consolidated into a new field to be known as the Midway, South (Consolidated) Field.

EOG requests that the following rules be adopted for the consolidated field:

1. Designated interval from 10,700 to 14,300 feet as shown on the log of the Edwin L. Cox, H. Schmidt Well No. 1;
2. Well spacing a minimum of 467 feet from lease lines with 1,200 feet between-well spacing limitation;
3. 40 acre unit density plus 10% tolerance;
4. Allocation based 5% per well and 95% deliverability.
5. Designation of the field as a non associated gas field to be placed on 100 % AOF allowable status;
6. The merger of these existing fields into the Midway, South (Consolidated) Field shall not affect the eligibility of wells previously assigned to the Midway South (Bank), Midway, South (Frio Deep), Midway, South (Shell Deep) and Midway, South (Shell Deep II) Fields to tight gas sand status as adopted in Oil & Gas Docket Nos.: 04-0240628, 04-0248490 and 04-0246599. All existing and future wells completed within the geographic areas and correlative geological intervals recognized as tight gas formations in those orders shall continue to be entitled to tight gas formation status despite the renaming of the field as Midway. South (Consolidated);

7. The Midway, South (Frio Deep II) Field has been designated as having permanent gas well classification per Oil & Gas Docket No. 04-0242336. EOG seeks to keep those designations for wells completed within the vertical interval specified in the docket. Any future wells completed within the tight gas sand as specified in the existing Oil & Gas Docket Nos. 04-0242336 shall be designated as a gas well.

This application was unopposed and the examiner recommends approval of EOG's request for field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The 5 fields (18 retrograde condensate reservoirs) which are the subject of this hearing were discovered beginning in the 1970's. The fields include deep Frio sands which are in various stages of depletion. Four out of the five fields are non-associated gas fields. All the fields currently operate under rules providing for 467'-1,200' well spacing and 40 acre density.

There are a total of 40 wells which have been drilled in the proposed consolidated fields, but only 27 are active producing wells. The total cumulative production from the proposed consolidated fields is about 87.7 BCF of gas and 3.6 MMBC. Many of the wells penetrate multiple reservoirs that when produced separately would result in marginal production.

There are many existing wellbores which can be used for recompletions in the various sands within the consolidated interval and additional new targets to be reached by drilling new wells.

EOG requests to maintain a density rule of 40 acres for the consolidated field. Drainage calculations were submitted for several wells, indicating a range from less than 1 acre up to 79 acres with the average less than 40 acres.

EOG requests that the consolidated field be designated as the interval from 10,700 feet to 14,300 feet as shown on the log of the Edwin L. Cox, H. Schmidt No. 1. Consolidation of the various sands into a single field will result in the recovery of additional reserves which would otherwise be uneconomic.

The proposed consolidated field will consist of numerous sands, some will pinch out and some of which are isolated by faulting. A two factor allocation formula based on 5% deliverability and 95% per well is requested for the consolidated field to meet statutory requirements.

EOG requests that the consolidated field be designated as a non-associated field with 100% AOF status. Four out of the five fields are non-associated gas fields. The Midway, South (Frio Deep) Field is an associated field, it is therefore recommended that EOG's request be denied for the consolidated field to be designated a non-associated

field. All fields are either one well fields or are on 100% AOF status. EOG did not consider this to be an adverse recommendation.

The Midway South (Bank), Midway, South (Frio Deep), Midway, South (Shell Deep) and Midway, South (Shell Deep II) Fields have been designated as tight gas sand status as adopted in Oil & Gas Docket Nos.: 04-0240628, 04-0248490 and 04-0246599. EOG seeks to keep those designations for wells completed within the vertical interval and area specified in the appropriate docket. Any future wells completed within the tight gas sand as specified in the existing Oil & Gas Docket Nos. 04-0240628, 04-0248490 and 04-0246599 shall be designated as a tight gas well.

The Midway, South (Frio Deep II) Field has been designated as having permanent gas field classification per Oil & Gas Docket No. 04-0242336. EOG seeks to keep those designations for wells completed within the vertical interval specified in the docket. Any future wells completed within the sand as specified in the existing Oil & Gas Docket Nos. 04-0242336 shall be designated as a gas well.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The subject fields proposed for consolidation were discovered beginning in the 1970's. All but one (Midway, South (Frio Deep)) of the fields are non-associated gas fields and there are only 27 producing wells in the fields at this time.
3. The 5 fields produce from deep Frio sands which are in various stages of depletion.
4. All of the fields currently operate under 467'/1,200' spacing.
5. Consolidation of the fields will not harm any of the reservoirs because of the similar reservoir and fluid properties.
6. Consolidation of the fields will result in the recovery of additional reserves from the various fields as a result of a lower combined economic limit.
7. The Midway, South (Consolidated) Field should be designated as the correlative interval from 10,700 to 14,300 feet as shown on the log of the Edwin L. Cox, H. Schmidt Well No. 1.
8. A density rule providing for 40 acre density is appropriate for the consolidated field because of the significant variance in drainage capabilities of the various

sands.

9. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
10. The Midway South (Bank), Midway, South (Frio Deep), Midway, South (Shell Deep) and Midway, South (Shell Deep II) Fields have been designated as tight gas sand status as adopted in Oil & Gas Docket Nos.: 04-0240628, 04-0248490 and 04-0246599.
11. The Midway, South (Frio Deep II) Field has been designated as having permanent gas field classification per Oil & Gas Docket No. 04-0242336.
12. All fields are either one well fields or are on 100% AOF status.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the fields as proposed by EOG Resources, Inc. is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the five subject fields be consolidated into a new field to be known as the Midway, South (Consolidated) Field (associated field) and that the requested field rules be adopted for the

consolidated field.

Respectfully submitted,

Andres J, Trevino, P.E.
Technical Hearings Examiner