

THE APPLICATION OF EOG RESOURCES, INC. TO CONSOLIDATE THE INDIAN POINT (UPPER FRIO CONS.) AND INDIAN POINT (LOWER FRIO CONS.) FIELDS INTO THE PROPOSED INDIAN POINT (FRIO CONS.) FIELD, NUECES AND SAN PATRICIO COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: October 14, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Kenneth Marbach

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests that the Indian Point (Upper Frio Cons.), ID No. 44441 800, and Indian Point (Lower Frio Cons.), ID No. 44441 780, Fields be consolidated into a new field to be known as the Indian Point (Frio Cons.), ID. No. 44441 775, Field.

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

1. Designated interval from 7,020 feet to 12,210 feet as shown on the log of the Forest Oil Corporation and Mobil Oil Company - State Tract 786 Lease, Well No. 8 (API No. 42-355-06056);
2. Well spacing a minimum of 467 feet from lease lines with no between-well spacing limitation;
3. 40 acre drilling units;
4. Allocation based on 5% per well and 95% deliverability for gas wells and 5% per well and 95% potential for oil wells.

EOG also requests that the new field be classified as associated-prorated and the gas allocation formula be suspended. This application was unopposed and the examiner recommends approval of EOG's request for field consolidation and Field Rules.

DISCUSSION OF THE EVIDENCE

The Indian Point (Upper Frio Cons.) and Indian Point (Lower Frio Cons.) Fields were created in December 2006 with the consolidation of various Indian Point fields that were discovered beginning in the 1960's. Both fields operate under Field Rules that provide for a correlative interval, 467'-0' well spacing, 40 acre density and allocation based on 5% per well and 95% deliverability/potential. There are three producing gas wells carried on the proration schedule for the Indian Point (Lower Frio Cons.) Field and 2 producing gas wells and 4 producing oil wells carried on the proration schedules for the Indian Point (Upper Frio Cons.) Field. Alta Mesa Services, LP is the only other operator in the two fields. Cumulative production from all of the Indian Point Fields through July 2010 is approximately 64.3 BCFG and 1.0 MMBO.

All of the wells which have produced from both fields are located in Nueces Bay and produce from Frio sands between 7,000 feet and 12,000 feet. EOG proposes that the correlative interval from 7,020 feet to 12,210 feet as shown on the log of the Forest Oil Corporation and Mobil Oil Company - State Tract 786 Lease, Well No. 8 (API No. 42-355-06056), Nueces Bay State Tract 786, Nueces County, Texas, be considered a single field known as the Indian Point (Frio Cons.) Field. This interval includes 34 separate Frio sands. The reservoir and fluid properties in all the sands are similar and the fields are in the late stage of depletion. EOG requests the same spacing, density and allocation formula for the consolidated field that currently exist in the two subject fields. 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 lenticular sands. A two factor allocation formula based on 95% deliverability/potential and 5% per well is requested for the consolidated field to meet statutory requirements. EOG also requests that the gas allocation formula be suspended, as there is a 100% market for all of the gas produced from the field.

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 Indian Point (Upper Frio Cons.) and Indian Point (Lower Frio Cons.) Fields were created in December 2006 with the consolidation of various Indian Point fields that were discovered beginning in the 1960's.
3. Both fields operate under Field Rules that provide for a correlative interval, 467'-0' well spacing, 40 acre density and allocation based on 5% per well and 95% deliverability/potential.

4. The Indian Point (Frio Cons.) Field should be designated as the correlative interval from 7,020 feet to 12,210 feet as shown on the log of the Forest Oil Corporation and Mobil Oil Company - State Tract 786 Lease, Well No. 8 (API No. 42-355-06056). This interval includes 34 separate Frio sands.
5. Consolidation of the two fields will not harm any of the reservoirs because of the similar reservoir and fluid properties and will result in the recovery of additional reserves from the two fields, as a result of a lower combined economic limit.
6. Field Rules that provide for 467'-0' well spacing, 40 acre density and allocation based on 5% per well and 95% deliverability/potential are appropriate for the consolidated field.
7. Elimination of a between well spacing rule will provide flexibility in using existing wellbores for completion in the two fields.
8. Allocation based on 5% per well and 95% deliverability/potential will protect correlative rights and satisfy statutory requirements.
9. Suspension of the allocation formula is appropriate, as there is a 100% market for all the gas produced from the field.

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 two subject fields is necessary to prevent waste and protect correlative rights.
4. The proposed Field Rules for the Indian Point (Frio Cons.) Field will prevent waste, protect correlative rights, and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Indian Point (Upper Frio Cons.) and Indian Point (Lower Frio Cons.) Fields be consolidated into a new field to be known as the Indian Point (Frio Cons.) Field and that Field Rules be adopted for the consolidated field, as requested by EOG Resources, Inc.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Hearings Examiner