

THE APPLICATION OF EOG RESOURCES, INC. TO CONSOLIDATE THE KR/BOA (VX. BROWN) FIELD, KR/BOA (VX. ORANGE) FIELD, KR/BOA (VX. YELLOW) FIELD AND SUE JO (11,500) FIELDS INTO THE (PROPOSED) KR/BOA (VX. CONS.) FIELD AND TO CONSIDER FIELD RULES FOR THE (PROPOSED) KR/BOA (VX. CONS.) FIELD, KLEBERG COUNTY, TEXAS

Heard by: Andres J, Trevino, P.E. on March 1, 2011

Appearances:

Doug Dashiell
Gary Travis

Representing:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. requests that the various KR/BOA Fields be consolidated into a new field to be known as the KR/BOA (Vx Cons.) Field. The fields proposed for consolidation are as follows:

KR/BOA (Vx. Brown) Field	47937 350
KR/BOA (Vx. Orange) Field	47937 400
KR/BOA (Vx. Yellow) Field	47937 470
Sue Jo (11500) Field	86913 500

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

1. Designated interval from 10,480 feet to 13,000 feet as shown on the log of the EOG Resources, Inc.'s King Ranch Canelo, Well No. 801;
2. Well spacing a minimum of 467 feet from lease lines with no between-well spacing limitation;
3. Standard 40 acre drilling units;
4. Allocation based 5% per well and 95% deliverability and allocation formula to remain suspended;

The Hearing Notice originally implied statewide spacing rules of 467'/1,200'. At the hearing, EOG requested 467' lease line spacing and 0' between well spacing. EOG sent a letter to ExxonMobil, the only other operator in the field informing them of the change and giving notice of their right to protest. No protest was received from ExxonMobil. This

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

DISCUSSION OF THE EVIDENCE

The four fields which are the subject of this hearing were discovered beginning in 1989. The fields include four Vicksburg sands which are in various stages of depletion. All four fields are non-associated gas fields and all operate under Statewide Rules.

There will be a total of 10 wells, 2 active and 8 inactive wells that will be consolidated into the proposed KR/BOA (Vx Cons.) Field. EOG believes there are additional reserves of gas remaining and have been left behind near prematurely abandoned wells. Many wells in the fields were prematurely abandoned due to casing failures or sanding problems. P/Z analysis for most prematurely abandoned wells indicate significant reserves have been left behind. EOG plans to drill additional wells near existing wells in the field and produce all productive intervals simultaneously.

EOG requests that the consolidated field be designated as the interval from 10,480 feet to 13,000 feet as shown on the log of the EOG Resources, Inc.'s King Ranch Canelo, Well No. 801. The interval will include the Brown, Orange, Yellow and the 11,500 Vicksburg sands. Consolidation of the various sands into a single field will result in the recovery of additional reserves, which would otherwise be uneconomic, by producing multiple reservoirs simultaneously.

EOG will drill additional wells within the reservoirs targeting the various sands within the consolidated interval that have been partially drained near prematurely abandoned wells. EOG believes many stratigraphic and structural traps still exist that have not been drained. The Vicksburg sands are tight, heterogeneous and highly faulted in the area. Eliminating the between-well spacing requirement will provide opportunities for infill drilling to target reserves near highest structure without the need for Rule 37 exceptions. EOG requests the density remain under statewide 40 acre density.

The proposed consolidated field will consist of numerous sands. A two factor allocation formula based on 95% deliverability and 5% per well is requested for the consolidated field to meet statutory requirements.

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

1989. All of the fields are non-associated gas fields and there are 2 producing wells and 8 inactive wells in the fields at this time.

3. The four fields produce from Vicksburg sands which are of low permeability, heterogeneous, faulted and in various stages of depletion.
4. All of the fields operate under Statewide Rules.
5. Many wells in the fields were prematurely abandoned due to casing failures or sanding problems.
6. P/Z analysis for most prematurely abandoned wells indicate significant reserves have been left behind.
7. 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.
8. The KR/BOA (Vx Cons.) Field should be designated as the correlative interval from 10,480 feet to 13,000 feet as shown on the log of the EOG Resources, Inc.'s King Ranch Canelo, Well No. 801.
9. The proposed 467'/0' well spacing rule for the consolidated field will provide flexibility in recompleting existing wells in other zones without the need for Rule 37 exceptions.
10. The proposed 467'/0' well spacing rule for the consolidated field will provide flexibility in drilling infill wells adjacent to prematurely abandoned wells which may contain virgin pressures or partially drained, Vicksburg sands without the need for Rule 37 exceptions.
11. Well density shall remain under Statewide rules, 40 acre drilling units.
12. Allocation based 5% per well and 95% deliverability will protect correlative rights and satisfy statutory requirements.
13. All fields are currently producing at 100% AOF.

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 four subject fields be consolidated into a new field to be known as the KR/BOA (Vx Cons.) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,

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