

**THE APPLICATION OF EOG RESOURCES, INC. TO CONSOLIDATE THE T.-C.-B. (LWR FRIO-UP VXBG) AND T-C-B (LOWER VICKSBURG) FIELDS INTO THE PROPOSED T-C-B (VXBG CONSOLIDATED) FIELD AND TO ADOPT FIELD RULES FOR THE T-C-B (VXBG CONSOLIDATED) FIELD, JIM WELLS AND KLEBERG COUNTIES, TEXAS**

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

**DATE OF HEARING:** April 27, 2011

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Doug Dashiell  
Gary Travis

EOG Resources, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

EOG Resources, Inc. ("EOG") requests that the T.-C.-B. (Lwr Frio-Up Vxbg), ID No. 89945 204, and T-C-B (Lower Vicksburg), ID No. 89945 497, Fields be consolidated into a new field to be known as the T-C-B (Vxbg Consolidated), ID No. 89945 105, Field.

EOG requests that the following Field Rules be adopted for the consolidated field:

1. Designated interval from 7,890 feet to 12,625 feet as shown on the log of the EOG Resources, Inc. - KR Laguna Larga Lease, Well No. 801 (API No. 42-273-32532);
2. 467'-0' well spacing;
3. 80 acre units with optional 40 acre density;
4. Allocation based on 25% per well and 75% deliverability for gas wells and a salvage classification 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 T.-C.-B. (Lwr Frio-Up Vxbg) and T-C-B (Lower Vicksburg) Fields were created in March 1999 and August 1993, respectively, with the consolidation of various 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, 80 acre density and a two factor allocation formula. There are 10 producing gas wells and 3 producing oil wells carried on the proration schedules for the T.-C.-B. (Lwr Frio-Up Vxbg) Field and 42 producing gas wells carried on the proration schedule for the T-C-B (Lower Vicksburg) Field. Exxon Mobil Corporation is the largest operator in the two fields. Cumulative production from the two fields through December 2010 is 589 BCFG and 5.7 MMBO.

All of the wells which have produced from both fields are located on the King Ranch and produce from Frio and Vicksburg sands between 7,000 feet and 13,000 feet. EOG proposes that the correlative interval from 7,890 feet to 12,625 feet as shown on the log of the EOG Resources, Inc. - KR Laguna Larga Lease, Well No. 801 (API No. 42-273-32532), Section 335, CCSD & RGNG RR Co. Survey, A-78, Kleberg County, Texas, be considered a single field known as the T-C-B (Vxbg Consolidated) Field. This interval includes 69 separate sands. The base of the Vicksburg formation occurs at the top of the Jackson Glide Plane formation.

The reservoir and fluid properties in all the sands are similar. The sands have a pressure depletion drive mechanism and are in the late stage of depletion. Consolidation of the various sands into a single field will result in the recovery of additional reserves which would otherwise be uneconomic. EOG is drilling 40 acre infill wells on a Joint Venture with Exxon Mobil. EOG requests the same 467'-0' well spacing for the consolidated field that currently exist in the two subject fields. To facilitate the infill drilling program, EOG requests 80 acre units with optional 40 acre density.

The proposed consolidated field will consist of numerous lenticular sands. A two factor allocation formula based on 25% per well and 75% deliverability for gas wells is requested for the consolidated field to meet statutory requirements. Since the field is in the late stage of depletion, EOG proposes that the field be classified as associated-prorated and have a salvage classification for oil wells. EOG also requests that the gas allocation formula be suspended, as there is a 100% market demand 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 T.-C.-B. (Lwr Frio-Up Vxbg) and T-C-B (Lower Vicksburg) Fields were created in March 1999 and August 1993, respectively, with the consolidation of various 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, 80 acre density and a two factor allocation formula.
4. The T-C-B (Vxbg Consolidated) Field should be designated as the correlative interval from 7,890 feet to 12,625 feet as shown on the log of the EOG Resources, Inc. - KR Laguna Larga Lease, Well No. 801 (API No. 42-273-32532). This interval includes 69 separate Frio and Vicksburg 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 and 80 acre units with optional 40 acre density are appropriate for the consolidated field.
7. Elimination of a between well spacing rule will provide flexibility in selecting future infill well locations in the consolidated field.
8. Allocation based on 25% per well and 75% deliverability will protect correlative rights and satisfy statutory requirements.
9. Suspension of the allocation formula is appropriate, as there is a 100% market demand for all the gas produced from the field.
10. Given the depleted status of the sands, there is no reason to limit the oil production from this 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 T.-C.-B. (Lwr Frio-Up Vxbg) and T-C-B (Lower Vicksburg) Fields is necessary to prevent waste and protect correlative rights.
4. The proposed Field Rules for the T-C-B (Vxbg Consolidated) 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 T.-C.-B. (Lwr Frio-Up Vxbg) and T-C-B (Lower Vicksburg) Fields be consolidated into a new field to be known as the T-C-B (Vxbg Consolidated) 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