

July 20, 2006

OIL AND GAS DOCKET NO. 04-0247938

APPLICATION OF EOG RESOURCES, INC. TO CONSIDER FIELD RULES FOR THE ROMA, EAST (5650) FIELD, STARR COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: July 19, 2006

APPEARANCES:

Doug Dashiell, attorney
Charles Salmon

REPRESENTING:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of EOG Resources, Inc. for the Commission to consider permanent field rules for the Roma, East (5650) Field as follows:

1. The entire combined correlative interval from 5,800' to 6,980' as shown on the Gamma Ray log of the EOG Resources, McClure Lease Well No. 2 (API No. 42-427-32674), Porcion 70, Share 5B, J. Salinas Survey, Starr County, Texas, should be designated as the Roma, East (5650) Field.
2. Minimum well spacing of 467'/933' (leaseline/between well);
3. 40 drilling unit density only;
4. An allocation formula based on 95% deliverability and 5% per well. It is further requested that the allocation formula be suspended.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Roma, East (5650) was discovered in 1994 by completion of the Metano Energy, Garcia-Gonzales GU Well No. 1 through perforations from 5,659' to 5,817' subsurface depth. At the time of completion, a lower set of perforations were made at 6,424' to 6,460' but were subsequently abandoned below a CIBP. The well initially potentialized at 1,350 MCFD (stimulation) with an original bottomhole pressure (BHP) of 4,276 psia. This is the only well that is currently on the Commission Schedule. EOG Resources has recently completed two wells and the completion data is being filed with the Commission. The two EOG wells are located approximately 8,500' northeast of the discovery well. The EOG Resources, McClure Well No. 1 was completed in April 2006 through perforations from 6,510' to 6,640' and potentialized at 617 MCFD (no stimulation) and a BHP

of 3,848 psia. The EOG Resources, McClure Well No. 2 was completed in March 2006 through perforations from 5,841' to 5,903'. Two other sets of perforations were made at 5,956' to 6,048' and 6,618' to 6,766' which are outside the interval that was designated for the field in the discovery application. Subsequently, EOG obtained downhole commingling authority to produce all three sets of zones, the latter two deeper zones being classified as "wildcat". The well was stimulated and potentiated at 3,538 MCFD and a BHP of 4,128 psia.

The entire combined correlative interval from 5,800' to 6,980' as shown on the Gamma Ray log of the EOG Resources, McClure Lease Well No. 2 (API No. 42-427-32674), Porcion 70, Share 5B, J. Salinas Survey, Starr County, Texas, should be designated as the Roma, East (5650) Field. The proposed interval includes lenticular sequences which require being produced simultaneously in order to acquire additional reserves that which otherwise would go unrecovered. Commingling allows the production of marginally productive zones that otherwise would be plugged or not considered for perforation. All the zones must be fracture stimulated to establish commercial production. It is estimated that an additional 60,833 MCF will be recovered per two combined intervals as the economic producing rate of each zone is effectively reduced.

Minimum well spacing of 467'/933' (lease line/between well) will provide uniform flexibility in locating wells in the subject field because of the low permeability of the rock and the varying development of the productive intervals.

A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement. The allocation formula should be suspended as there is 100% market for all the produced gas.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Roma, East (5650) was discovered in 1994 by completion of the Metano Energy, Garcia-Gonzales GU Well No. 1 through perforations from 5,659' to 5,817' subsurface depth.
 - a. The field is governed by Statewide Rules and designated as Non-Associated.
 - b. There is only one well that is currently on the Commission Schedule. EOG Resources has recently completed two wells and the completion data is being filed with the Commission.
4. The entire combined correlative interval from 5,800' to 6,980' as shown on the Gamma Ray log of the EOG Resources, McClure Lease Well No. 2 (API No. 42-427-32674), Porcion 70, Share 5B, J. Salinas Survey, Starr County, Texas, should be designated as the Roma,

East (5650) Field.

5. Minimum well spacing of 467'/933' (leaseline/between well) will provide uniform flexibility in locating wells in the subject field because of the low permeability of the rock and the varying development of the productive intervals.
6. A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement.
 - b. The allocation formula be suspended as there is a 100% market for all the produced gas.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration for field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field rules for the Roma, East (5650) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel