

July 26, 2006

OIL AND GAS DOCKET NO. 04-0247940

APPLICATION OF EOG RESOURCES, INC. TO AMEND THE FIELD RULES FOR THE TIFFANY (WILCOX CARRIZO) FIELD, WEBB COUNTY, TEXAS

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

DATE OF HEARING: July 19, 2006

APPEARANCES:

REPRESENTING:

Doug Dashiell, attorney
Charles Salmon

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of EOG Resources, Inc. to amend the field rules for the Tiffany (Wilcox Carrizo) Field, adopted by Order No. 04-0236298, effective October 21, 2003, as amended, which currently provide for:

1. The entire combined correlative interval from 10,595' to 11,580' as shown on the Dual Induction Gamma Ray Log of the EOG Resources, Inc., Billings "A" Lease Well No. 2, CCSD & RGNG RR CO. Survey, A-1059, Webb County, Texas should be designated as the Tiffany (Wilcox Carrizo) Field.
2. Minimum lease line well spacing of 467' and no between well spacing.
3. A two-factor allocation formula based on 95% deliverability and 5% per well. The allocation formula has been suspended since August 2001.

EOG Resources proposes amending Rule No. 2 only as follows:

Minimum lease line well spacing of 467' and no between well spacing, however, the terminus of a horizontal drainhole may be drilled not less than 367' from the lease or property line. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Tiffany (Wilcox Carrizo) Field was discovered in 1983 at 10,372' subsurface depth and is classified as Non-Associated -- 100% AOF. Special field rules were adopted pursuant to Order No. 04-0236298, effective October 21, 2003, as amended, which currently provide for: the entire combined correlative interval from 10,595' to 11,580' be designated as the Tiffany (Wilcox Carrizo)

Field; minimum lease line well spacing of 467' and no between well spacing; and a two-factor allocation formula based on 95% deliverability and 5% per well. EOG Resources operates 63 of the 65 wells in the field.¹ The 1,000 foot Wilcox Formation interval contains several lenticular sand lenses with a permeability of 0.0008 md. Wells require large fracture stimulations in order to produce. EOG has been successfully drilling and completing horizontal drainhole wells (9 wells completed and 7 recent permits filed). Cumulative production from the field is now 58.9 BCF of gas and 324,000 barrels of condensate.

Minimum lease line set back of 367' for horizontal drainhole wells will provide for the efficient and effective depletion of the reservoir and the recovery of reserves that may otherwise go unrecovered. The typical drainhole length is between 2000' to 3000'. The horizontal drainhole is cased with 3- 1/2 inch casing and cemented. Perforations are established every 100' to 150' along the length of the drainhole. Each perforation set is fracture stimulated with \pm 325,000 lbs. of proppent. The additional 100' set back will allow the wellbore to contact as much of the reservoir as possible. The additional setback distance will allow for more stable hole conditions for successful completion of casing/cementing operations and completion and stimulation operations.

It is proposed that the allocation formula remain suspended.

FINDINGS OF FACT

1. Notice of this hearing was sent to all affected persons in the subject area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Tiffany (Wilcox Carrizo) Field was discovered in 1983 at 10,372' subsurface depth and is classified as Non-Associated.
 - a. EOG Resources operates 63 of the 65 wells in the field.
 - b. The 1,000 foot Wilcox Formation interval contains several lenticular sand lenses with a permeability of 0.0008 md and wells require large fracture stimulations in order to produce.
 - c. EOG has been successfully drilling and completing horizontal drainhole wells (9 wells completed and 7 recent permits filed).
 - d. Cumulative production from the field is now 58.9 BCF of gas and 324,000 barrels of condensate.
4. Special field rules were adopted pursuant to Order No. 04-0236298, effective October

¹ Killiam Oil and Riddle Engineering operate one well each.

21,2003, as amended, which provides for minimum lease line well spacing of 467' and no between well spacing.

5. Minimum lease line set back of 367' for horizontal drainhole wells will provide for the efficient and effective depletion of the reservoir and the recovery for reserves that may otherwise go unrecovered.
 - a. The typical drainhole is cased , cemented and perforations are established every 100' to 150' along the length of the drainhole and each perforation set is fracture stimulated with \pm 325,000 lbs. of propent.
 - b. The additional 100' set back will allow the wellbore to contact as much of the reservoir as possible. The additional setback distance will allow for more stable hole conditions for successful completion of casing/cementing operations and completion and stimulation operations.
6. The allocation formula should remain suspended as there is still a demand for 100% of the gas produced from the field.

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. Amending Field Rule No. 2 will prevent waste, foster conservation and protect correlative rights.
4. Continued suspension of the allocation formula is appropriate pursuant to Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed amended Field Rule No. 2 for the Tiffany (Wilcox Carrizo) Field.

Respectfully submitted,

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