



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

April 14, 2006

OIL AND GAS DOCKET NO. 04-0246667

APPLICATION OF EOG RESOURCES, INC., TO CONSIDER AMENDING THE FIELD RULES FOR THE MIDWAY, EAST (10,700) FIELD, SAN PATRICIO COUNTY, TEXAS

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

DATE OF HEARING: April 7, 2006

APPEARANCES:

Doug Dashiell, attorney
Kenneth Marbach

REPRESENTING:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION STATEMENT OF THE CASE

This is the unopposed application of EOG Resources, Inc. for the Commission to consider amending the field rules for the Midway, East (10700) Field as adopted in Order No. 4-63,946, effective May 6, 1974, as amended which currently provide for:

1. Minimum well spacing of 933'/1867' (lease line/between well),
2. 320 acre gas proration units with 10 % tolerance and maximum diagonal of 6,000'; and optional 160 acre gas proration units and a maximum diagonal of 4,500'; and
3. An allocation formula based on 100% acreage. The allocation formula is currently suspended.
4. The setting and testing of surface casing.

EOG Resources proposes the following:

1. Minimum well spacing of 467'/1200' (lease line/between well),
2. In addition to the existing 320 acre density (no change), provide for optional 40 acre proration units and a maximum diagonal of 2,100'; and
3. No change and the allocation formula remain suspended

The examiner proposes that Existing Rule No. 4 be rescinded as the surface casing requirements are now address by Statewide Rules. The examiner recommends approval of the proposed rules as amended.

DISCUSSION OF THE EVIDENCE

The Midway, East (10700) Field was discovered in 1973 at 10,735' subsurface depth. The field is classified as Associated - Prorated. Special field rules were adopted by Order No. 4-63,946, effective May 6, 1974. The allocation formula was suspended in 1993. Currently there are three operators and 10 wells (5 of which are producing). The Associated "oil" field has no wells listed (as indicated by the Commission's April 2006 Oil Proration Schedule). Though EOG Resources does not currently appear on the Commission's Proration Schedule, EOG states that is has standing to propose these field rules as it has recently completed its McKamey Well No. 1 and the completion papers have not been processed. Letters were submitted from Dominion Oklahoma Texas and Magnum Producing supporting the proposed rule amendments.

Optional 40 acre gas proration unit density is necessary to provide for the efficient and effective depletion of the subject field. Cumulative production from the field is 90.8 BCF of gas and 2.8 million barrels of oil. The current production rate is 781 MCFD and 15 BCPD. The recognized depth interval of the field is from 10,685' to 12,980' which represents approximately 15 Frio Sand stringers. The reservoirs are retrograde gas condensate and these type of reservoirs require greater density to recover the remaining reserves. Basic reservoir parameters are: porosity ranges from 18 to 27%, average water saturation 45%, permeability ranges from .1 to .5 millidarcies and an average reservoir thickness of 50'. Volumetric calculations estimate recovery to be 1500 MCF/AcFt. The calculated drainage area from the 20 wells that have produced from the field range from 13 acres to 234 acres and six of the wells have/will drain less than 50 acres.

The proposed change in the minimum between well spacing, 467'/1200', is necessary to provide flexibility in locating future wells in the field.

It is appropriate that the allocation formula remain suspended.

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. EOG has standing in the subject field to propose these field rules as it has recently completed its McKamey Well No. 1
2. There was no protest at the call of the hearing.
3. The Midway, East (10700) Field was discovered in 1973 at 10,735' subsurface depth and is classified as Associated - Prorated.

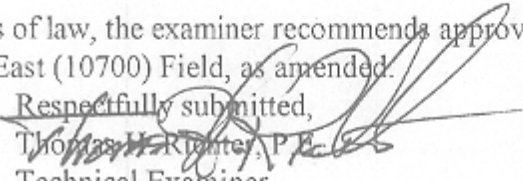
- a. Special field rules were adopted by Order No. 4-63,946, effective May 6, 1974.
 - b. Currently there are three operators and 10 wells (5 of which are producing).
 - c. The allocation formula is suspended.
4. Optional 40 acre gas proration unit density is necessary to provide for the efficient and effective depletion of the subject field.
 - a. The recognized depth interval of the field is from 10,685' to 12,980' which represents approximately 15 Frio Sand stringers.
 - b. The reservoirs are retrograde gas condensate and these type of reservoirs require greater density to recover the remaining reserves.
 - c. The calculated drainage area from the 20 wells that have produced from the field range from 13 acres to 234 acres and six of the wells have/will drain less than 50 acres.
 5. The proposed change in the minimum between well spacing, 467'/1200', is necessary to provide flexibility in locating future wells in the field.
 6. It is appropriate that the allocation formula remain suspended as the proposed amended field rules will not affect the allocation formula.

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 of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed amended 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 amended field rules for the Midway, East (10700) Field, as amended.

Respectfully submitted,

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