

December 28, 2006

OIL AND GAS DOCKET NO. 04-0249787

APPLICATION OF EOG RESOURCES, INC. TO AMEND THE FIELD RULES FOR THE STIRLING (WILCOX CONSOLIDATED) FIELD, WEBB AND ZAPATA COUNTIES, TEXAS

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

DATE OF HEARING: December 21, 2006

APPEARANCES:

Doug J. Dashiell, attorney
Charles R. Salmon

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 Stirling (Wilcox Consolidated) Field. The current field rules were adopted by Order No. 04-0241152, effective January 25, 2005, as amended, that provide for the following:

1. The entire correlative interval from 9,870' to 10,760' as shown on the Gamma Ray log of the EOG Resources, Inc., Slator Ranch "J" Lease Well No. 2, API No. 42-479-39262, J.V. Borrego Survey, A-563, Webb County, Texas be designated as the Stirling (Wilcox Consolidated) Field.
2. An allocation formula based on 95% deliverability and 5% per well and the allocation formula is suspended.

EOG proposes the following:

1. The entire correlative interval from 9,667' to 10,910' as shown on the type log of the EOG Resources, Inc., Slator Ranch "S" Lease Well No. 1, API No. 42-505-35295, J.V. Borrego Survey, A-209, Webb County, Texas be designated as the Stirling (Wilcox Consolidated) Field.
2. Minimum well spacing of 467'/0' (leaseline/between well);
3. No proration unit requirement, only 40 acre drilling units; and
4. No change in allocation formula and continued suspension.

In reviewing the data submitted, there was a mistaken credence based on review of the Commission's Proration Schedule that the subject field is governed by Special Field Rules that

provide for minimum well spacing of 467'/1200' and 40 acre proration unit density. The field is governed by Statewide Rules. The only Special Field Rules adopted are an interval designation and a two-factor allocation formula. The examiner recommends approval of the proposed amended field rules.

DISCUSSION OF THE EVIDENCE

The Stirling (Wilcox) Field was discovered in October 2004 by completion of the EOG Resources, Slator Ranch "H" Lease Well No. 2 and the recognized discovery interval was from 10,490' to 10,650' subsurface depth. Since that time EOG Resources has completed 20 wells in the field. Special field rules were adopted by Order No. 04-0241152, effective January 25, 2005 and was classified as a Non-Associated Field. The field was renamed from Stirling (Wilcox) to Stirling (Wilcox Consolidated) Field by Commission Order No. 04-0245249 and the designated interval was amended for a correlative interval from 9,870' to 10,760' in the Slator Ranch "J" Lease Well No. 2.

The entire correlative interval from 9,667' to 10,910' as shown on the type log of the EOG Resources, Inc., Slator Ranch "S" Lease Well No. 1, API No. 42-505-35295, J.V. Borrego Survey, A-209, Webb County, Texas should be designated as the Stirling (Wilcox Consolidated) Field. The proposed expanded interval will designate a correlative interval that includes Wilcox and even lower Lobo Formation Sand lenses. The designation will provide for the orderly development of the field and the efficient and effective depletion of each Wilcox/Lobo Sand lense stringer. The subsequent wells that have been drilled have identified other sand lense stringers many of which are not present in other wells and some intervals in the Lobo that were not included in the current interval designation.

The proposed minimum well spacing of 467'/0' (leaseline/between well) will provide for the orderly development of the field and the efficient and effective depletion of the discontinuous, lenticular Wilcox and Lobo Sand reservoir members.

EOG Resources is continuing to drill and complete wells in the field. Cumulative production through September 2006 is 22.7 BCF of gas. It is estimated that an incremental 21,900 MCF of gas will be recovered for each recompletion avoided. Commingling allows the production of marginally productive zones that would otherwise be bypassed. The individual economic limit of each zone is effectively lowered. Reduces the mechanical risks performed on a wellbore. The intervals must be fracture stimulated which can then be performed at one time.

There is 100% market for all the gas produced from the subject field and the allocation formula should remain suspended.

FINDINGS OF FACT

1. Notice of this hearing was sent to all parties entitled to notice at least ten (10) days prior to

- the subject hearing.
2. There was no protest at the call of the hearing.
 3. The Stirling (Wilcox) Field was discovered in October 2004 by completion of the EOG Resources, Slator Ranch "H" Lease Well No. 2 and the recognized discovery interval was from 10,490' to 10,650' subsurface depth.
 - a. Special field rules were adopted by Order No. 04-0241152, effective January 25, 2005, and is classified as a Non-Associated Field.
 - b. The field was renamed from Stirling (Wilcox) to Stirling (Wilcox Consolidated) Field by Commission Order No. 04-0245249 and the designated interval was amended for a correlative interval from 9,870' to 10,760' as seen in the EOG Resources, Inc., Slator Ranch "J" Lease Well No. 2.
 - c. EOG Resources is the only operator in the field and the allocation formula is suspended.
 4. The entire correlative interval from 9,667' to 10,910' as shown on the type log of the EOG Resources, Inc., Slator Ranch "S" Lease Well No. 1, API No. 42-505-35295, J.V. Borrego Survey, A-209, Webb County, Texas should be designated as the Stirling (Wilcox Consolidated) Field.
 - a. The proposed expanded interval will designate a correlative interval that includes Wilcox and even lower Lobo Formation Sand lenses. The designation will provide for the orderly development of the field and the efficient and effective depletion of each Wilcox/Lobo Sand lense stringer.
 5. The proposed minimum well spacing of 467'/0' (leaseline/between well) will provide for the orderly development of the field and the efficient and effective depletion of the discontinuous, lenticular Wilcox and Lobo Sand reservoir members.
 - a. Commingling allows the production of marginally productive zones that would otherwise bypassed.
 - b. The individual economic limit of each zone is effectively lowered.
 6. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

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 consolidation of formation intervals and the proposed field rules are a matter within the Commission jurisdiction.
4. Adoption of the proposed field and 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 amending the field rules for the Stirling (Wilcox Consolidated).

Respectfully submitted,

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