

THE APPLICATION OF EOG RESOURCES, INC. TO AMEND FIELD RULES FOR THE NINE MILE POINT (CONSOL. FLD.) FIELD, ARANSAS COUNTY, TEXAS

Heard by: Donna K. Chandler on August 31, 2007

Appearances:

Doug Dashiell
Nathan Andrews

Representing:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Nine Mile Point (Consol. Fld.) Field were adopted on October 23, 1967 in Docket No. 4-57,817 and amended in 1994. The rules in effect for the field are summarized as follows:

1. 660'-1,000' well spacing;
2. 640 acre gas units with a maximum diagonal of 11,000 feet; optional 320 acre units with a maximum diagonal of 7,500 feet;
3. Allocation based on 100% acreage and AOF status.

EOG Resources, Inc. requests that the rules be amended as follows:

1. Designation of the field as the correlative interval from 10,283 feet to 12,700 feet as shown on the log of the Nine Mile Point Field Consolidated Well No. 4;
2. 467'-0' well spacing;
3. 640 acre gas units and optional 160 acre units;
4. Allocation based on 95% acreage and 5% deliverability with continued AOF status.

This application was unopposed and the examiner recommends approval of the amendments to the field rules for the Nine Mile Point (Consol. Fld.) Field as requested by EOG Resources.

DISCUSSION OF THE EVIDENCE

The Nine Mile Point (Consol. Fld.) Field was formed in 1967 as a result of consolidating the Frio K-17 thru M Sands. There are currently eleven active wells in the field, eight of which are operated by EOG Resources, Inc. Three recent EOG wells are not yet on the schedule. A total of 25 wells have produced from the field, with cumulative production of about 97 BCF of gas. Current production is over 200 MMCF per month. All of the wells are in bay waters.

In 2004, EOG began re-developing its 3,200 acre Nine Mile Point Field Consolidated Unit and it is now developed to density under the current rules. In addition to new wells, EOG has added perforations in deeper intervals down to the Frio P Sand which had not been previously produced.

All of the Frio sands have similar properties, with 20% average porosity and 46% average water saturation. Permeabilities range from 0.02 to 4 md. and all are pressure depletion. Any cross-flow between zones will not harm the reservoirs. EOG has received a Rule 10 exception for the recently drilled No. 22 well to complete the well within the current interval and the Frio M-2 and P Sands.

EOG presented a cross-section demonstrating that the various Frio sands are correlative from well to well, but are fault separated. Pressures recorded in recent completions of some sands reflect virgin pressure and confirm lack of communication in these sands from well to well. Additional wells are necessary to recover reserves from these fault blocks which have not yet been drained. The proposed 467'-0' well spacing will accommodate drilling to these separate fault blocks.

EOG calculated drainage areas for seven wells in the field. Estimated ultimate recoveries range from 6.4 BCF to 17.4 BCF and net pay ranges from 80 feet to 286 feet for these seven wells. All have calculated drainage areas of less than 160 acres.

The proposed field interval includes several separate sands and a two factor allocation formula is therefore necessary. EOG proposes that the allocation formula be changed from 100% acreage to 95% acreage/5% deliverability and that the allocation formula remain suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.

2. The Nine Mile Point (Consol. Fld.) Field was formed in 1967 as a result of consolidating separate fields consisting of the Frio K-17 thru Frio M Sands.
3. Field rules for the Nine Mile Point (Consol. Fld.) Field currently provide for 660'-1,000' well spacing, 640 acre gas units with optional 320 acre units, and allocation based on 100% acreage.
4. Addition of a 160 acre optional density rule is necessary to adequately drain the reserves in the Nine Mile Point (Consol. Fld.) Field.
 - a. The various Frio sands are correlative from well to well, but are fault separated.
 - b. Pressures in recent completions of some sands reflect virgin pressure.
 - c. For seven wells in the field, EOG determined that drainage areas are less than 160 acres.
6. Well spacing a minimum of 467 feet from lease lines and 0 feet between wells will accommodate EOG's plans to drill additional wells in separate fault blocks in the field which have not yet been drained.
7. Allocation based on 95% acreage and 5% deliverability is a reasonable formula which meets statutory requirements.
8. The Nine Mile Point (Consol. Fld.) Field should be designated as the correlative interval from 10,283 feet to 12,700 feet as shown on the log of the Nine Mile Point Field Consolidated Well No. 4. This expanded interval includes the Frio K-17 through Frio P Sands.

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. Amending the field rules for the Nine Mile Point (Consol. Fld.) Field is necessary to prevent waste, protect correlative rights, and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the field rules for the Nine Mile Point (Consol. Fld.) Field be amended to provide for 467'-0' well spacing, optional 160 acre density, and acreage based on 95% acreage and 5% deliverability.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner