

July 16, 2007

OIL AND GAS DOCKET NO. 04-0251408

APPLICATION OF EOG RESOURCES, INC. TO RESCIND THE SPECIAL FIELD RULES FOR MULTIPLE MERCEDES FIELDS, HIDALGO COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: May 18, 2007

APPEARANCES:

Doug Dashiell, lawyer
Nathan Andrews
John Burnette

REPRESENTING:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of EOG Resources, Inc. to rescind the field rules for the various Mercedes Fields, see Attachment "A" as adopted by Order No. 4-50,168, effective August 1, 1962, as amended, which currently provide for:

1. Minimum well spacing of 660'/1320' (lease line/between well);
2. Gas proration units of 320 acres with 10 acre tolerance and a maximum diagonal of 7,500';
3. An allocation formula based on 75% acreage and 25% per well.

EOG Resources, Inc. proposes rescinding the special rules and returning the field to Statewide Rules.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The first Mercedes Field was discovered beginning in 1936 at 7,398' subsurface depth. Additional fields were discovered in the 1940's, 50's and 60's. Special field rules were adopted in 1962. There have been approximately 100 wells which have been completed in one or more of the thirty Mercedes Fields in which EOG seeks to rescind the current Special Field Rules. Currently there are seven active wells operated by EOG and three other operators in the field. One of the operators of three Mercedes wells, Magnum Producing L.P., signed a letter strongly supporting EOG in their efforts to rescind the

special rules.

The Mercedes Fields are composed of numerous Frio sand reservoirs which are of limited areal extent and are segmented by extensive faulting in the area. EOG is planning to redevelop the field by recompleting existing wells and/or drilling new wells in an effort to locate undrained hydrocarbon resources. EOG performed drainage calculations from 219 individual wells/completions and found that the average drainage acreage was 58 acres. Statewide Rules are necessary for renewed development and the efficient and effective depletion of the reservoirs. Statewide spacing and density is appropriate as there have been only two well completions that have drained in excess of 320 acres.

The top of the productive Frio Formation A Sand is at 6,750' subsurface depth to the bottom of the P Sand at 8,510' subsurface depth as seen on the Texas Oil & Gas & Cities Service, DeKoch Unit "C" Well No. 1 (API No. 215-01854).

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The first Mercedes Field was discovered beginning in 1936 at 7,398' subsurface depth.
 - a. Special field rules were adopted by Order No. 4-50,168, effective August 1, 1962, as amended, which currently provide for minimum well spacing of 660'/1320' (lease line/between well); gas proration units of 320 acres and an allocation formula based on 75% acreage and 25% per well.
 - b. The Commission Proration Schedule indicates seven active wells operated by EOG Resources and three other operators.
4. Rescinding the special field rules adopted by Order No.4-50,168, effective August 1, 1962, as amended, are necessary for renewed development and the efficient and effective depletion of the reservoirs.
 - a. The Frio sand reservoirs are segmented by faulting and are of limited areal extent.
 - b. Statewide spacing and density is appropriate as drainage calculations demonstrate drainage acreage averages approximately 58 acres per well.

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 the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
4. Rescinding the special field rules as adopted by Order No. 4-50,168, effective August 1, 1962, as amended, 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 rescinding the special field rules for the various Mercedes Fields as listed in Attachment "A".

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel

Attachment "A"

<u>Field Name</u>	<u>Field Number</u>
MERCEDES, (1-A)	60538080
MERCEDES, (1-C)	60538096
MERCEDES, (1-D)	60538112
MERCEDES, (1-E)	60538128
MERCEDES, (1-F)	60538144
MERCEDES, (1-F-1)	60538160
MERCEDES, (1-G)	60538176
MERCEDES, (1-H)	60538192
MERCEDES, (1-I)	60538208
MERCEDES, (1-K)	60538224
MERCEDES, (1-L)	60538240
MERCEDES, (1-M)	60538256
MERCEDES, (1-P)	60538272
MERCEDES, (2-A)	60538304
MERCEDES, (2-B)	60538320
MERCEDES, (2-C)	60538336
MERCEDES, (2-D)	60538352
MERCEDES, (2-E)	60538368
MERCEDES, (2-G)	60538384
MERCEDES, (2-N)	60538448
MERCEDES, (3-A)	60538538
MERCEDES, (3-B)	60538480
MERCEDES, (3-C)	60538538
MERCEDES, (3-G)	60538528
MERCEDES, (3-G-1)	60538544
MERCEDES, (3-J)	60538594
MERCEDES, (3-L)	60538608
MERCEDES, (3-N)	60538656
MERCEDES, (3-O)	60538688
MERCEDES, (3-P)	60538704