

THE APPLICATION OF EOG RESOURCES, INC. TO CONSOLIDATE THE UREBENO, SOUTH (LOBO 6) FIELD INTO THE (PROPOSED) UREBENO, SOUTH (LOBO CONS.) FIELD AND TO CONSIDER FIELD RULES FOR THE (PROPOSED) UREBENO, SOUTH (LOBO CONS.) FIELD, ZAPATA COUNTY, TEXAS

Heard by: Andres J, Trevino, P.E. on November 21, 2008

Appearances:

Doug Dashiell
Mimi Winetroub

Michelle M. Clark

Representing:

EOG Resources, Inc.

Endeavor Natural Gas, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. requests that the entire Lobo Series of sands found in the wells of the Urebeno, South (Lobo 6) Field be consolidated into a new field to be known as the Urebeno, South (Lobo Cons.) Field.

EOG requests that the following rules be adopted for the consolidated field:

1. Designated interval from the Lobo Unconformity to the top of the Willis Point (Midway Shale);
2. Well spacing a minimum of 467 feet from lease lines with no between-well spacing limitation;
3. Standard 40 acre drilling units;
4. Allocation based 5% per well and 95% deliverability and allocation formula to remain suspended;

A representative from Endeavor Natural Gas, LP appeared at the hearing in support of the application. This application was unopposed and the examiner recommends approval of EOG's request for field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The Urebena, South (Lobo 6) Field was discovered in 1980. The field includes Lobo 6 sands which are in various stages of depletion. The field is a non-associated gas field operating under Statewide Rules.

There are a total of eight wells that will be consolidated into the proposed Urebena, South (Lobo Cons.) Field. EOG believes there are additional reserves of gas remaining that can be recovered through horizontal drilling. EOG plans to drill additional wells in the field and would like the flexibility to produce all productive intervals simultaneously.

The cross section provided by EOG of the proposed Urebena, South (Lobo Cons.) Field area demonstrates that the wells completed in the Urebena, South (Lobo 6) Field are isolated by faulting from other fields in the area that produce from the Lobo sands. The Lobo sands have undergone significant post-burial faulting in this area which is the primary mechanism for reservoir separation between the proposed Urebena, South (Lobo Cons.) Field and the Exsun (Lobo Cons.) Field. The Lobo 1 sand is another sand potentially productive in the area in addition to the Lobo 6 sand.

EOG requests that the consolidated field be designated as the interval from the Lobo Unconformity to the top of the Willis Point (Midway Shale). Consolidation of the various sands into a single field will result in the recovery of additional reserves, which would otherwise be uneconomic, by producing multiple reservoirs simultaneously. The commingling of individual zones will reduce the total abandonment rate for a wellbore, will allow the production of marginal zones which might not otherwise be produced, will reduce the amount of mechanical work required to isolate zones, will allow reserves to be produced in a timely manner without significantly aging the tubulars and will enhance economic incentives to develop the field's remaining reserves.

EOG plans to drill an additional five horizontal wells within the reservoirs targeting the various sands within the consolidated interval that have not been drained yet. EOG believes many stratigraphic and structural traps still exist that have not been drained. Eliminating the between-well spacing requirement will provide opportunities to drill horizontal laterals within specific sands and between vertical wells without the need for Rule 37 exceptions. EOG requests the density remain under statewide 40 acre density.

The proposed consolidated field will consist of numerous sands. A two factor allocation formula based on 95% deliverability and 5% per well is requested for the consolidated field to meet statutory requirements.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.

2. The Urebena, South (Lobo 6) Field was discovered in 1980. The field is a non-associated gas field and there are 8 producing wells in the field at this time with an additional 5 wells to be drilled.
3. The Urebena, South (Lobo Cons.) Field will produce from Lobo sands which have undergone significant faulting.
4. The field currently operates under Statewide Rules.
5. Consolidation of the Lobo sands will result in the recovery of additional reserves from the various sands as a result of a lower combined economic limit.
6. The Urebena, South (Lobo Cons.) Field should be designated as the correlative interval from the Lobo Unconformity to the top of the Willis Point (Midway Shale).
7. All other wells completed in the Lobo sands within a 2.5 mile radius are isolated by faults from the proposed Urebena, South (Lobo Cons.) Field.
8. The proposed 467'0' well spacing rule for the consolidated field will provide flexibility in drilling horizontal wells within the various undrained, Lobo sands without the need for Rule 37 exceptions.
9. Well density shall remain under Statewide rules, 40 acre drilling units.
10. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
11. The Urebena, South (Lobo 6) Field is currently producing at 100% AOF.

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. Consolidation of the field as proposed by EOG Resources, Inc. is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Urebeno, South (Lobo 6) Field be consolidated into a new field to be known as the Urebeno, South (Lobo Cons.) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Hearings Examiner