

THE APPLICATION OF EOG RESOURCES, INC. TO AMEND THE FIELD RULES FOR THE INDIAN POINT (CHEYENNE) FIELD, NUECES COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: October 14, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Kenneth Marbach

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Indian Point (Cheyenne) Field were originally adopted in Final Order No. 04-0263734, effective January 12, 2010. The Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 12,930 feet TVD to 13,320 feet TVD as shown on the log of the EOG Resources, Inc. - State Tract 788 Gas Unit, Well No. 1 (API No. 42-355-33948);
2. Allocation based on 95% deliverability and 5% per well.

EOG Resources, Inc. ("EOG") requests that the Field Rules for the Indian Point (Cheyenne) Field be amended to provide for the designation of the field as the correlative interval from 13,250 feet (TVD) to 14,000 feet (TVD), 467'-0' well spacing and the allocation formula be suspended.

There were no protests to this application and the examiner recommends amending the Field Rules for the Indian Point (Cheyenne) Field, as requested by EOG.

DISCUSSION OF EVIDENCE

The Indian Point (Cheyenne) Field was discovered in September 2009 at an average depth of 12,900 feet (TVD). The field is classified as non-associated and there is one producing gas well carried on the proration schedule. EOG is the only operator in the field and has drilled one addition producing gas well that is not yet listed on the

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proration schedule. Both wells are directional wells that have been drilled onshore to bottomhole locations under Nueces Bay in State Tract 788. Cumulative production from the field through September 2010 is 675.9 MMCFG and 11.9 MBO.

EOG requests that the field correlative interval be enlarged to include additional Lower Frio sands. EOG proposes that the correlative interval from 13,250 feet (TVD) to 14,000 feet (TVD) as shown on the log of the EOG Resources, Inc. - State Tract 788 Gas Unit, Well No. 3 (API No. 42-355-33996), Nueces County, Texas, be considered a single field known as the Indian Point (Cheyenne) Field. This interval includes four separate Lower Frio sands.

Since all of the wells are drilled from onshore locations, EOG requests 467 foot lease line spacing with no between well spacing to provide flexibility in locating future infill wells. EOG argues that the proposed spacing is necessary to allow drilling of directional wells which may have a wellbore path very near each other in some cases.

EOG also requests that the allocation formula be suspended, as there is a 100% market for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Indian Point (Cheyenne) Field was discovered in September 2009 at an average depth of 12,900 feet (TVD). The field is classified as non-associated and there is one producing gas well carried on the proration schedule.
3. EOG is the only operator in the field and has drilled one addition producing gas well that is not yet listed on the proration schedule. Both wells are directional wells that have been drilled onshore to bottomhole locations under Nueces Bay in State Tract 788.
4. The correlative interval from 13,250 feet (TVD) to 14,000 feet (TVD) as shown on the log of the EOG Resources, Inc. - State Tract 788 Gas Unit, Well No. 3 (API No. 42-355-33996), Nueces County, Texas, should be designated as the Indian Point (Cheyenne) Field. This interval includes four separate Lower Frio sands.
5. Since all of the wells are drilled from onshore locations, 467 foot lease line spacing with no between well spacing will provide flexibility in locating future infill wells.
6. Suspension of the allocation formula is appropriate, as there is a 100%

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market for all the gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Amending the Field Rules for the Indian Point (Cheyenne) Field will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend the Field Rules for the Indian Point (Cheyenne) Field, as requested by EOG.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner