

THE APPLICATION OF EOG RESOURCES, INC. TO AMEND AND RENUMBER THE FIELD RULES FOR THE NUECES BAY DEEP CONSOLIDATED FIELD, SAN PATRICIO COUNTY, TEXAS

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

HEARING DATE: January 14, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Kenneth Marbach

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Nueces Bay Deep Consolidated Field were originally adopted in Final Order No. 04-0219171, effective June 2, 1998, as amended. The Field Rules in effect for the field are summarized as follows:

1. Designated interval from 9,630 feet (TVD) to 12,350 feet (TVD) as shown on the log of the EOG Resources, Inc. - State Tract 692 et al Unit, Well No. 1;
2. Allocation based on 95% deliverability and 5% per well with AOF status.

EOG Resources, Inc. ("EOG") requests that the Field Rules be amended and renumbered to provide for 467' leaseline spacing with no minimum between well spacing. At the hearing, EOG additionally requested special provisions for "take points" and "off-lease" penetration point for horizontal drainhole wells. There are no other operators in the Nueces Bay Deep Consolidated Field at the current time and, therefore, no additional notice was required. EOG also requests that the allocation formula remain suspended.

The application was unopposed and the examiner recommends that the Field Rules be amended and renumbered for the Nueces Bay Deep Consolidated Field, as proposed by EOG.

OIL AND GAS DOCKET NO. 04-0268524

DISCUSSION OF THE EVIDENCE

The Nueces Bay Deep Consolidated Field was discovered in January 1998 at a depth of 12,100 feet. The field is classified as non-associated and there are 8 producing gas wells carried on the proration schedule. EOG is the only operator in the field. The allocation formula is currently suspended and the average daily production is 13.0 MMCFG and 547 BO. Cumulative production from the field through October 2010 is 23.8 BCFG and 1.1 MMBO.

The Nueces Bay Deep Consolidated Field is a retrograde condensate reservoir that has pressure depletion as the primary drive mechanism. The Frio section comprises over 2,700 feet of interbedded sandstones and shales. This interval includes numerous Frio Sands in which separate completions would not be economically feasible. As a result of commingling the various Frio Sands, EOG believes that additional gas will be recovered based on a lower combined economic limit.

EOG is proposing to drill additional horizontal wells and requests horizontal rules in order to promote the efficient and effective development of the remaining hydrocarbons. EOG requests a spacing rule that requires 467' leaseline and no between well spacing with special provisions for "take points" and "off-lease" penetration point for horizontal drainhole wells. Since there are limited surface locations, EOG argues that the proposed spacing is necessary to allow drilling of horizontal wells which may have to be placed very near each other in order to develop the individual Frio Sands. EOG identified five Statewide Rule 37 exceptions granted by the Commission that would have been unnecessary if the field rules had previously provided for a no between well spacing provision.

EOG also requests that the allocation formula remain suspended, as there is a 100% market demand 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 and no protests were received.
2. The Nueces Bay Deep Consolidated Field was discovered in January 1998 at a depth of 12,100 feet.
3. The field is classified as non-associated and there are 8 producing gas wells carried on the proration schedule. EOG is the only operator in the field.
4. The Frio section comprises over 2,700 feet of interbedded sandstones and shales. This interval includes numerous Frio Sands in which separate completions would not be economically feasible.

OIL AND GAS DOCKET NO. 04-0268524

5. The Nueces Bay Deep Consolidated Field is actively being developed with horizontal drainhole wells.
6. Field Rules that provide for 467' leaseline spacing and no between well spacing with special provisions for "take points" and "off-lease" penetration point for horizontal wells will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
7. Since there are limited surface locations, the proposed spacing is necessary to allow drilling of horizontal wells which may have to be placed very near each other in order to develop the individual Frio Sands.
8. Suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Amending and renumbering the Field Rules for the Nueces Bay Deep Consolidated Field will prevent waste, protect correlative rights and promote further development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends amending and renumbering the Field Rules for the Nueces Bay Deep Consolidated Field, as requested by EOG Resources, Inc.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner