

THE APPLICATION OF EOG RESOURCES, INC. TO AMEND FIELD RULE NO. 2 FOR THE MIDWAY, SOUTH (CONSOLIDATED) FIELD, SAN PATRICIO COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E.- Technical Examiner

HEARING DATE: March 1, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Gary Travis

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Midway, South (Consolidated) Field were originally adopted in Final Order No. 04-0250221, effective March 6, 2007. The Field Rules in effect for the field are summarized as follows:

1. Designated interval from 10,700 to 14,300 feet as shown on the log of the Edwin L. Cox - H. Schmidt Lease, Well No. 1;
2. 467'- 0' well spacing;
3. 40 acre density plus 10% tolerance;
4. Allocation based on 5% per well and 95% deliverability with AOF status.

EOG Resources, Inc. ("EOG") requests that the Field Rules be amended to include special provisions for "take points" and "off-lease" penetration points for horizontal drainhole wells. EOG also requests that the allocation formula remain suspended.

The application was unopposed and the examiner recommends that the Field Rules be amended for the Midway, South (Consolidated) Field, as proposed by EOG.

DISCUSSION OF THE EVIDENCE

The Midway, South (Consolidated) Field was created by the consolidation of five Frio Sand fields in March 2007. The field is classified as non-associated and there are 33

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producing gas wells and four operators carried on the proration schedule. The allocation formula is currently suspended and the daily production is 7.3 MMCFG and 413 BC. Cumulative production from the field through November 2010 is 112.6 BCFG and 4.5 MMBO.

The Midway, South (Consolidated) Field is a retrograde condensate reservoir that has pressure depletion as the primary drive mechanism. The Frio section comprises over 3,500 feet of interbedded sandstones and shales. This interval includes numerous Frio Sands in which separate completions would not be economically feasible. The interval includes up to 18 named, potentially productive sands. The majority of the sands are of high permeability and have been depleted of most reserves.

EOG is proposing to drill horizontal wells in the Lower Bren Sand and requests horizontal rules in order to promote the efficient and effective development of the remaining hydrocarbons. The Lower Bren Sand is of lower permeability and contains sufficient remaining reserves to justify drilling a horizontal drainhole. EOG is currently developing the Lower Bren Sand with horizontal wells in the Tule Lake and Nueces Bay Deep Consolidated Fields with encouraging results. Horizontal wells are expected to recover 75% of a typical vertical well's recovery per frac stage.

EOG requests special provisions for "take points" and "off-lease" penetration point for horizontal drainhole wells. Since the Lower Bren is approximately 1,600' below to top of the consolidated interval, EOG argues that the proposed "take points" and "off-lease" penetration point is necessary to allow drilling of horizontal wells so that the first take point will be at 467' from the lease line. Having the first take point at a legal location of 467' from the lease line will maximize the length of the lateral which will maximize hydrocarbon recovery. Similar rules are commonly found in other fields which are being developed with horizontal wells.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Midway, South (Consolidated) Field was created by the consolidation of five Frio Sand fields in March 2007.
3. The Midway, South (Consolidated) Field is classified as non-associated and there are 33 producing gas wells and four operators carried on the proration schedule.
4. The Frio section comprises over 3,500 feet of interbedded sandstones and shales. This interval includes numerous Frio Sands, most of which are of

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high permeability and have been drained of most of their reserves.

5. The Midway, South (Consolidated) Field contains the Lower Bren Sand which is of lower permeability and contains sufficient remaining reserves to justify drilling a horizontal drainhole.
6. EOG is currently developing the Lower Bren Sand with horizontal wells in the Tule Lake and Nueces Bay Deep Consolidated Fields with encouraging results.
7. Since the Lower Bren is approximately 1,600' below to top of the consolidated interval, "take points" and "off-lease" penetration point are necessary to allow drilling of horizontal wells so that the first take point will be at 467' from the leaseline.
8. Field Rules that provide for special provisions for "take points" and "off-lease" penetration point for horizontal wells will provide consistency in developing the field and will allow maximum lateral length which will maximize hydrocarbon recovery.

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 the Field Rules for the Midway, South (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 the Field Rules for the Midway, South (Consolidated) Field, as requested by EOG Resources, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner