

OIL AND GAS DOCKET NO. 06-0263206

THE APPLICATION OF EOG RESOURCES, INC. TO AMEND THE FIELD RULES FOR THE CARTHAGE, NORTH (BOSSIER SHALE) FIELD, HARRISON, NACOGDOCHES, PANOLA, RUSK AND SHELBY COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Marshall F. Enquist - Legal Examiner

HEARING DATE: October 21, 2009

APPEARANCES:

REPRESENTING:

APPLICANT:

Flip Whitworth
Rick Johnston
Wade Kovash

EOG Resources, Inc.

INTERESTED PARTIES:

Brian R. Sullivan

Devon Energy Production Co., LP

Ana Maria Marsland-Griffith

Anadarko E & P Company, LP

George Neale

El Paso E & P Company, LP
Energen Resources Corporation

Bill G. Spencer

Chesapeake Operating, Inc.

Bob Tierney
Mark Bahorich

Plains Exploration & Production Company

EXAMINER'S REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

Field Rules for the Carthage, North (Bossier Shale) Field were adopted in Order No. 06-0257403, effective August 25, 2008, as amended. The Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 9,850 feet to 11,280 feet as shown on the log of the Sylvia & Sandra Herrin GU No. 1, Well No. 2;
2. 330'-500' well spacing with no minimum well spacing between vertical and horizontal wells and special provisions for take points and offsite penetration point in horizontal wells;
3. 40 acre gas units with 10% tolerance;
4. Special provisions for stacked laterals;
5. Allocation based on 100% acreage with AOF status.

EOG Resources, Inc. ("EOG") requests that the Field Rules for the subject field be amended to provide for a revised correlative interval, 330'-0' well spacing, 640 acre gas units with optional 40 acre density and allocation based on 95% acreage and 5% per well. EOG also requests that the allocation formula in the field remain suspended and the filing of P-15's and plats not be required as long as the field is 100% AOF.

The examiners recommends that the field rules for the Carthage, North (Bossier Shale) Field be amended as proposed by EOG.

DISCUSSION OF EVIDENCE

The Carthage, North (Bossier Shale) Field was discovered in April 2006. The field is classified as a non-associated gas field with AOF status. There are 75 producing wells carried on the current proration schedule and the field is actively being developed with horizontal drainhole wells. Cumulative production through July 2009 is 14.7 BCFG and 41.9 MBC.

EOG requests that the entire correlative interval from 9,568 feet to 11,089 feet as shown on the log of the Devon Energy Production Co., LP - Hull Unit A Lease, Well No. 102 (API No. 42-365-36749), Panola County, Texas, be considered a single field known as the Carthage, North (Bossier Shale) Field. This interval includes the entire Bossier and Haynesville Shales and is located stratigraphically between the base of the Cotton Valley and the top of the Louann Salt formations.

EOG has no objection to the pending field consolidation of the Carthage, North (Bossier Shale) Field into the new Carthage (Haynesville Shale) Field when a Final Order is issued in that docket. As a result, EOG is requesting similar field rules that are proposed for the new field and that currently exist for other shallower fields. EOG proposes field rules that provide for 330' lease line spacing and no between well spacing and 640 acre gas proration units with 10% tolerance and optional 40 acre density. Adopting similar field rules as other shallower fields in the area will provide consistency in developing the Carthage, North (Bossier Shale) Field and will allow greater flexibility in selecting future drilling locations.

Wells in the area covered by the Carthage, North (Bossier Shale) Field have been producing oil and gas since the 1930s and there are numerous oil and gas producing zones above the field. Over 11,000 wells have been drilled in Panola County, and well spacing of 330 feet from lease lines allows location flexibility required to place surface locations and drill wells. Accordingly, well spacing of 330 feet from lease lines is used to space wells in the State of Louisiana, located immediately to the east.

The historic unit size for gas wells in the Haynesville trend is 640 acres and most of the acreage is held by production from existing units that are approximately 640 acres in size. Where field rules have been adopted for gas fields producing above the Carthage, North (Bossier Shale) Field, 640 acres plus 10% tolerance has been the predominant standard unit size and most of the fields have adopted optional 40 acre density. In addition, the standard development unit size for Haynesville wells in the State of Louisiana is 640 acres and the density field rules for the Waskom (Haynesville Shale) Field, proposed to be consolidated into the Carthage (Haynesville Shale) Field, are 640-acre units plus 10% tolerance with an optional 40 acre size.

EOG requests that a two factor allocation formula based on 95% acres and 5% per well be adopted for the field. EOG also requests that the allocation formula remain suspended, as there is a 100% market for all the gas produced, and that the filing of P-15's and plats not be required when the allocation formula is suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Carthage, North (Bossier Shale) Field was discovered in April 2006. The field is classified as a non-associated gas field with AOF status. There are 75 producing wells carried on the current proration schedule and the field is actively being developed with horizontal drainhole wells.

3. Field Rules for the Carthage, North (Bossier Shale) Field provide for a designated interval, 330'-500' well spacing with no minimum well spacing between vertical and horizontal wells, special provisions for take points and offsite penetration point in horizontal wells, 40 acre gas units with 10% tolerance, special provisions for stacked laterals and allocation based on 100% acreage with AOF status.
4. EOG has no objection to the pending field consolidation of the Carthage, North (Bossier Shale) Field into the new Carthage (Haynesville Shale) Field when a Final Order is issued in that docket. EOG is requesting similar field rules that are proposed for the new field and that currently exist for other shallower fields.
5. The entire correlative interval from 9,568 feet to 11,089 feet as shown on the log of the Devon Energy Production Co., LP - Hull Unit A Lease, Well No. 102 (API No. 42-365-36749), Panola County, Texas, should be considered a single field known as the Carthage, North (Bossier Shale) Field. This interval includes the entire Bossier and Haynesville Shales and is located stratigraphically between the base of the Cotton Valley and the top of the Louann Salt formations.
6. Field Rules that provide for 330' lease line spacing and no between well spacing and 640 acre gas proration units with 10% tolerance and optional 40 acre density will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
7. Well spacing of 330 feet from lease lines is used to space wells in the State of Louisiana, located immediately to the east, and has already been adopted for the Waskom (Haynesville Shale) Field which will be consolidated into the new Carthage (Haynesville Shale) Field.
8. The standard development unit size for Haynesville wells in the State of Louisiana is 640 acres and the field rule density for the Waskom (Haynesville Shale) Field, proposed to be consolidated into the Carthage (Haynesville Shale) Field, is 640-acre units plus 10% tolerance with optional 40 acre density.
9. Allocation based on 95% acres and 5% per well will protect correlative rights.
10. Continued suspension of the allocation formula is appropriate, as there is a 100% market for all the gas produced. Elimination of the requirement to file P-15's and plats when the field has 100% AOF status will eliminate unnecessary paperwork.

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 Carthage, North (Bossier Shale) Field is necessary to prevent waste, protect correlative rights and promote 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 Carthage, North (Bossier Shale) Field, as proposed by EOG Resources, Inc.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

Marshall F. Enquist
Legal Examiner