

THE APPLICATIONS OF EOG RESOURCES, INC. TO AMEND THE FIELD RULES FOR THE NEWARK, EAST (BARNETT SHALE) FIELD, VARIOUS COUNTIES, TEXAS

Heard by: Donna K. Chandler, Technical Examiner

Hearing Date: September 16, 2009

Appearances:

Representing:

Philip Whitworth
Rick Johnston

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. requests that the field rules for the Newark, East (Barnett Shale) Field be amended to provide for optional 20 acre density for oil wells. EOG also requests that the top allowable for oil wells be increased to 800 BOPD and that the casinghead gas limit for oil wells be increased from 2,000 MCFD per well to 3,000 MCFD per well. No other changes are proposed for the field.

These applications were unopposed and the examiner recommends approval of the applications.

DISCUSSION OF EVIDENCE

The Newark, East (Barnett Shale) Field was discovered in October 1981. There are approximately 380 oil wells and 11,000 gas wells on the current proration schedule. Cumulative production from the field is over 6 TCF of gas and 16.5 million BO. Current production from all wells in the field is approximately 140 BCF/month and 300,000 BO/month.

The Newark, East (Barnett Shale) Field extends into portions of 25 counties. The majority of the wells classified as oil wells are located in Montague, Cooke and Wise Counties to the south and west of the Muenster Arch. In the last two years, production from oil wells has increased from less than 30,000 BO/month to over 100,000 BO/month.

The current top allowable in the field is 111 BOPD based on the 1965 yardstick for 40 acres. Increased net gas-oil ratio authority was granted for all wells in the field in 2005, allowing 2,000 MCFD casinghead gas production for each well. It is common for newly completed wells to have very high production rates, followed by steep decline. EOG provided several examples of recent horizontal wells which produced in excess of 600 BOPD and/or 2,000 MCFD. These high initial rates result in overproduction for the wells during the first couple of months of production. Increasing the top allowable for oil wells will prevent the accumulation of overproduction and the issuance of shut-in letters. There is no conservation purpose in restricting allowable, as gas wells in the field are AOF.

Operators are typically drilling up to five horizontal laterals from a single surface location, resulting in a density greater than 40 acres per well. EOG requests that a 20 acre optional density rule be adopted for oil wells. Gas wells have density rules providing for 320/optional 20 acre density.

FINDINGS OF FACT

1. Notice of these hearings was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Newark, East (Barnett Shale) Field was discovered in 1981. There are approximately 380 oil wells and 11,000 gas wells on the current proration schedule.
3. Cumulative production from the field is over 6 TCF of gas and 16.5 million BO. Current production from all wells in the field is approximately 140 BCF/month and 300,000 BO/month.
4. In the past couple of years, many oil wells have been completed in Montague, Cooke and Wise Counties, resulting in an increase in production from oil wells from less than 30,000 BO/month to over 100,000 BO/month.
5. The current top allowable in the field is 111 BOPD based on the 1965 yardstick for 40 acres. The casinghead gas allowable for oil wells in the field is 2,000 MCFD.
6. Typically, new wells have high rates of production, followed by steep decline. Several recent wells initially produced at rates in excess of 600 BOPD and/or 2,000 MCFD, resulting in overproduction.
7. Shutting in oil wells to make up overproduction is not necessary to prevent waste. The gas wells produce under AOF status.

8. Adoption of a 20 acre optional density rule for oil wells is appropriate for the field because operators are typically drilling up to five horizontal laterals from a single surface location, resulting in a density greater than 40 acres per well. A 20 acre optional density rule is already in effect for gas wells in 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 Newark, East (Barnett Shale) Field as proposed by EOG Resources, Inc. will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the field rules for the Newark, East (Barnett Shale) Field be amended as proposed by EOG Resources, Inc.

Respectfully submitted,

Donna Chandler
Technical Examiner