

OIL AND GAS DOCKET NO. 10-0258180

THE APPLICATION OF EOG RESOURCES, INC. TO AMEND THE FIELD RULES FOR THE LIPSCOMB (ATOKA) FIELD, LIPSCOMB COUNTY, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Hearing Date: August 27, 2008

Appearances:

Representing:

Doug Dashiell
Mimi Winetroub

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Lipscomb (Atoka) Field were originally adopted on May 23, 1972 in Docket No. 10-61,755. The rules currently in effect for the field are summarized as follows:

1. 1,250'-2,500' well spacing;
2. 640 acre gas units with a 10 percent tolerance;
3. Allocation based on 100 percent acreage.

EOG Resources, Inc. requests that the rules be amended to provide for 660'-1,320' well spacing. The application was unopposed and the examiner recommends that the field rules for the Lipscomb (Atoka) Field be amended as proposed by EOG.

DISCUSSION OF EVIDENCE

The Lipscomb (Atoka) Field was discovered in December 1957. The field is an associated gas field with 27 gas wells carried on the proration schedule. The allocation formula is currently suspended. Cumulative production from the field through July 2008 is 34.0 BCFG and 60.7 MBO.

The Lipscomb (Atoka) Field produces from an Atoka/Novi Dolomite formation which is interpreted to be a grainstone shoal deposited in a widespread shallow water environment. The formation occurs at an average depth of 9,000 feet and has an initial bottomhole pressure of 3,900 psi and a bottomhole temperature of 185 degree F. The

reservoir has an average pay thickness of 15 feet, an average porosity of 8 percent and an average water saturation of 27 percent. There is no gas-water contact and the primary drive mechanism is a pressure depletion drive.

The same continuous Atoka/Novi Dolomite formation and reservoir exists in the Perryton (Novi, Lower) Field in Ochiltree County, which is located approximately 30 miles to the northwest. This field has operated with field rules requiring 660 foot lease line spacing, 1,320 foot between-well spacing and 640 acre gas proration units since January 1987. The field has both vertical and horizontal wells and EOG is an operator in this field, as well as the Lipscomb (Atoka) Field.

Operators are currently developing the Lipscomb (Atoka) Field with horizontal wellbores. Changing the field lease line and between-well spacing to be in alignment with the Perryton (Novi, Lower) Field will allow for placement of future horizontal wellbores in the best technical location from a geological and engineering perspective. In addition, operators will be able to drill horizontal wells without being affected by the location of the existing vertical wells and surface facilities associated with wells completed in this and other fields. The increased location flexibility will allow incremental reserves to be produced from the field using horizontal drainhole technology that would otherwise not be produced because of technical and economic factors. The reduced well spacing will also eliminate the need to drill unnecessary wells.

Due to the increased location flexibility, EOG Resources, Inc. has plans to drill additional horizontal drainhole wells in the Lipscomb (Atoka) Field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Lipscomb (Atoka) Field was discovered in December 1957. The field is an associated gas field with 27 gas wells carried on the proration schedule and is actively being developed with horizontal drainhole wells.
3. Field rules for the Lipscomb (Atoka) Field provide for 1,250'-2,500' well spacing, 640 acre gas units with a 10 percent tolerance and allocation based on 100 percent acreage.
4. The Lipscomb (Atoka) Field produces from an Atoka/Novi Dolomite formation that occurs at an average depth of 9,000 feet. There is no gas-water contact and the primary drive mechanism is a pressure depletion drive.

5. The same continuous Atoka/Novi Dolomite formation and reservoir exists in the Perryton (Novi, Lower) Field in Ochiltree County, which is located approximately 30 miles to the northwest. This field has operated with field rules requiring 660 foot lease line spacing, 1,320 foot between-well spacing and 640 acre gas proration units since January 1987.
6. Operators are currently developing the Lipscomb (Atoka) Field with horizontal wellbores. Changing the field lease line and between-well spacing to be in alignment with the Perryton (Novi, Lower) Field will allow for placement of future horizontal wellbores in the best technical location from a geological and engineering perspective. The reduced well spacing will also eliminate the need to drill unnecessary wells.
7. As a result of the increased location flexibility, EOG Resources, Inc. has plans to drill additional horizontal drainhole wells in the Lipscomb (Atoka) 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 Lipscomb (Atoka) 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 Lipscomb (Atoka) Field as proposed by EOG.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner