

**THE APPLICATION OF EOG RESOURCES, INC. FOR INCREASED NET GAS-OIL RATIO AUTHORITY IN THE LIPSCOMB (CLEVELAND) FIELD, LIPSCOMB COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on January 26, 2011

**Appearances:**

Rick Johnston

**Representing:**

EOG Resources, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

EOG Resources, Inc. requests increased net gas-oil ratio authority for its Appel 438 Well Nos. 5H, 6H and 7H in the Lipscomb (Cleveland) Field such that each well has a casinghead gas limit of 900 MCFD. EOG also requests that all overproduction for the lease be canceled.

This application was unopposed and the examiner recommends approval of the requested casinghead gas limit and cancellation of overproduction.

**DISCUSSION OF THE EVIDENCE**

The Lipscomb (Cleveland) Field was discovered in 1958 at a depth of approximately 7,800 feet. The field is an associated field with 80 oil wells and 128 gas wells. The top allowable for oil wells is 101 BOPD for a well on 40 acres. The gas field is AOF status.

EOG completed its Appel 438 Well No. 5H in May 2010. The well is a horizontal drainhole with a displacement of more than 3,800 feet. On initial test, the well flowed at a rate of 702 BOPD, 2053 MCFD and 431 BWPD. Based on its drainhole length, the well is assigned a penalized allowable of 274 BOPD and 800 MCFD.

The Appel 438 No. 6H was completed in May 2010 also. This well has a horizontal drainhole displacement of more than 3,600 feet. This well is also assigned a penalized allowable of 274 BOPD and 800 MCFD.

The Appel 438 No. 7H was completed in September 2010 with an initial potential of 293 BOPD, 1,541 MCFD and 196 BWPD. This well has a horizontal displacement of approximately 3,500 feet. This well has not yet been built on the proration schedule, but it will also receive a penalized oil allowable.

The number of oil wells in the field has significantly increased since 2004 when there were only 15 wells in the field. There has been significant development with horizontal wells in the field. A map of the field indicates that oil well/gas well designation is not predictable, as many wells classified as oil wells are directly offset by wells classified as gas wells. Production from gas wells in the field is not limited, as the field is AOF.

No meaningful tests can be performed on the three subject wells, as all three have flowing tubing pressures barely sufficient to produce into the pipeline. EOG requests that the wells be assigned casinghead gas limits of 900 MCF. All three wells are still capable of producing 800 MCFD or slightly more.

All oil overproduction for the lease has been made up. However, casinghead gas overproduction is still over 300 MMCF. EOG requests that all overage be canceled.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Lipscomb (Cleveland) Field was discovered in 1958 and is an associated field with 80 oil wells and 128 gas wells.
3. The top allowable for oil wells is 101 BOPD for a well on 40 acres. The gas field is AOF status.
4. EOG completed its Appel 438 Well Nos. 5H, 6H and 7H in 2010. All three have horizontal drainhole lengths in excess of 3,500 feet.
5. All three of the subject wells receive penalized oil allowables due to high gas-oil ratio and all three are assigned 800 MCFD casinghead gas limits.
6. All three of the subject wells are capable of producing 800 MCFD or slightly more and will continue to accumulate casinghead gas overproduction under the current allowable.
7. Many wells classified as oil wells in the field are directly offset by wells classified as gas wells.
8. Increasing the casinghead gas limit to 900 MCFD for each of the subject three wells will not cause waste.

9. The lease is overproduced approximately 303 MMCF of gas.
10. Cancellation of overproduction for the Appel 438 lease will not harm correlative rights.

**CONCLUSIONS OF LAW**

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Approval of increased net gas-oil ratio with a casinghead gas limit of 900 MCFD per well for the Appel 437 Well Nos. 5H, 6H and 7H in the Lipscomb (Cleveland) Field will not cause waste or harm correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends approval of increased net gas-oil ratio authority for the Appel 438 Well Nos. 5H, 6H and 7H in the Lipscomb (Cleveland) Field, with a casinghead gas limit of 900 MCFD per well. It is also recommended that overproduction for the lease be canceled.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner