

**THE APPLICATION OF EOG RESOURCES, INC. FOR EXCEPTION TO RULE 86 (D)(4)
FOR ITS UNION RANCH LEASE, WELL NO. 3H, TIFFANY (WILCOX CARRIZO) FIELD,
WEBB COUNTY, TEXAS**

HEARD BY: Richard D. Atkins, P.E., Technical Examiner

HEARING DATE: August 24, 2009

APPEARANCES:

Doug J. Dashiell
Chester Pieprzica

REPRESENTING:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests an exception to Rule 86(d)(4) for its Union Ranch Lease, Well No. 3H. An exception is necessary because the penetration point and a portion of the horizontal drainhole, as defined by Rule 86, is not on the 518.79 Union Ranch Lease.

This application was unopposed and the examiner recommends approval of the requested exception to Statewide Rule 86.

DISCUSSION

Pertinent definitions in Statewide Rule 86 are as follows:

86(a)(2) **Horizontal Drainhole:** that portion of the wellbore drilled in the correlative interval, between the penetration point and the terminus.

86(a)(3) **Horizontal Drainhole Displacement:** the calculated horizontal displacement of the horizontal drainhole from the penetration point to the terminus.

86(a)(5) **Penetration Point:** the point where the drainhole penetrates the top of the correlative interval.

86(a)(6) **Terminus:** the farthest point required to be surveyed along the horizontal drainhole from the penetration point and within the correlative interval.

Additionally, Statewide Rule 86(d)(4) requires that all points on a horizontal drainhole be within the proration and drilling unit.

In Oil and Gas Docket No. 04-0260608, the following rule was adopted for the Tiffany (Wilcox Carrizo) Field:

Provided, however, that for purposes of the lease line spacing requirement for horizontal wells, the following shall apply:

1. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
2. Horizontal drainhole wells may penetrate or terminate within the field interval at any location on a lease, pooled unit or unitized tract, provided that the take point closest to the penetration point in a horizontal drainhole well shall be a minimum of FOUR HUNDRED SIXTY SEVEN (467) feet from the property line, lease line, or subdivision line. The take point closest to the terminus point in a horizontal drainhole well shall be a minimum of THREE HUNDRED SIXTY SEVEN (367) feet from the property line, lease line, or subdivision line. A permit or an amended permit is required for any take point closer to the lease line than the lease line spacing distance, including any perforations added in the vertical portion or the curve of a horizontal drainhole well.

Union Ranch Lease, Well No. 3H

On November 20, 2008, EOG was granted a drilling permit to drill its No. 3H on the 518.79 acre Union Ranch Lease. The surface location and the entire wellbore were permitted on the 518.79 acre lease.

On April 8, 2009, EOG filed completion papers for the well. Commission staff notified EOG that completion papers for the well could not be processed and an allowable could not be assigned because the penetration point was off-lease and in violation of Rule 86, since a portion of the horizontal drainhole, as defined by Rule 86, was not on the lease.

The subject well is drilled to a total depth of 14,550 feet (MD) and is cased and cemented, with top of cement behind the casing calculated to be at 9,000 feet (MD). The penetration point of the Wilcox Carrizo formation is 10,043 feet (MD). The perforations are

from 13,897 feet (MD) to 14,210 feet (MD). The uppermost perforation is 667 feet from the nearest lease line and the lowermost perforation is 717 feet from the nearest lease line. The penetration point and a portion of the horizontal drainhole, as defined by Rule 86, is approximately ten feet off the subject 518.79 acres.

EOG requests that an exception be granted to allow the well to produce. The surface owner is also the mineral owner and EOG is the lessee of oil and gas leases covering all mineral interests in the tracts from the well's penetration point off-lease to the terminus on the Union Ranch Lease. EOG is also the lessee of oil and gas leases covering all mineral interests in the tracts within 467 feet of the subject well from its penetration point off-lease to its terminus.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten (10) days prior to the hearing.
2. Statewide Rule 86(d)(4) requires that all points on a horizontal drainhole be within the proration and drilling unit for a well.
3. Field rules for the Tiffany (Wilcox Carrizo) Field provide that, for purposes of the lease line spacing requirement for horizontal wells, a take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
4. EOG was granted a drilling permit to drill its No. 3H on the 518.79 acre Union Ranch Lease.
 - a. The surface location and the entire wellbore were permitted on the 518.79 acre lease.
 - b. EOG filed completion papers for the well and the penetration point and a portion of the horizontal drainhole, as defined by Rule 86, was not on the 518.79 Union Ranch Lease.
 - c. EOG is the only offsetting operator to the as-drilled well.
5. Completion papers for the well could not be processed and an allowable could not be assigned because the penetration point was off-lease, and in violation of Rule 86 since a portion of the horizontal drainhole, as defined by Rule 86, was not on the subject 518.79 acre lease acreage.

6. The subject well is drilled to a total depth of 14,550 feet (MD) and is cased and cemented, with top of cement behind the casing calculated to be at 9,000 feet (MD). The penetration point of the Wilcox Carrizo formation is 10,043 feet (MD). The perforations are from 13,897 feet (MD) to 14,210 feet (MD).
7. The horizontal drainhole displacement for the Union Ranch Lease, Well No. 3H shall be the distance between the perforations, which is 313 feet.
8. The surface owner is also the mineral owner and EOG is the lessee of oil and gas leases covering all mineral interests in the tracts from the well's penetration point off-lease to the terminus on the Union Ranch Lease. EOG is also the lessee of oil and gas leases covering all mineral interests in the tracts within 467 feet of the subject well from its penetration point off-lease to its terminus.

CONCLUSIONS OF LAW

1. Proper notice was timely given to all parties entitled to notice pursuant to applicable statutes and rules.
2. All things have occurred and have been accomplished to give the Commission jurisdiction in this case.
3. The requested exception is not intended to circumvent Commission rules regarding spacing and assignment of acreage.
4. Approval of the requested exception to Rule 86(d)(4) will not cause waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

The examiner recommends that the requested exception to Rule 86(d)(4) be approved for the Union Ranch Lease, Well No. 3H, to allow the penetration point and a portion of the horizontal drainhole, as defined by Rule 86, to be off-lease.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner