

July 31, 2007

OIL AND GAS DOCKET NO. 06-0251712

APPLICATION OF EOG RESOURCES, INC. TO CONSIDER A BLANKET EXCEPTION TO STATEWIDE RULE 10 FOR ALL CURRENT AND FUTURE WELLS IN THE APPLEBY, N. (TRAVIS PEAK) AND APPLEBY, N. (PETTIT) FIELDS, RUSK AND NACOGDOCHES COUNTIES, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: May 29, 2007

APPEARANCES:

Philip Whitworth
Rick A. Johnston

REPRESENTING:

EOG Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

EOG Resources, Inc. requests exceptions to Statewide Rule 10 for any well presently or ever completed in the Appleby, N. (Travis Peak) and Appleby, N. (Pettit) Fields. EOG Resources, Inc. also requests that the commingled wellbores be assigned to the Appleby, N. (Travis Peak) Field for proration purposes. The examiner recommends approval of the requested Blanket Rule 10 authority.

DISCUSSION OF THE EVIDENCE

The Appleby, N. (Travis Peak) Field has five operators with 72 gas wells and two oil wells. The Appleby, N. (Pettit) Field has five operators with nine gas wells with no oil wells carried on the proration schedule. There have already been over 68 exceptions to Statewide Rule 10 allowing wells to be commingled in these two fields, and the commingled wells are carried in the Appleby, N. (Travis Peak) Field. EOG Resources wants to be able to downhole commingle any well in these two fields upon payment of the fee and submission of a Rule 10 data sheet. No new technical data would be required, but operators would have to indicate that ownership in the two fields was identical.

The Appleby, N. (Travis Peak) Field was discovered in 1980 at a depth of 8560'. Field rules specifying 467-933' well spacing and 640 acre proration units with 40 acre optional units were adopted. The Appleby, N. (Pettit) Field was discovered in 1989 and is on Statewide Rules. The allocation formula in the Travis Peak is based 100% on acreage,

though the allocation formula is suspended in both fields. EOG Resources operates about 36 of the wells in the two fields to be commingled and plans to drill and commingle additional wells.

The Travis Peak has a designated interval that is 2,128' thick in the Appleby, N. (Travis Peak) Field. The Pettit Formation lays over the Travis Peak. The producing Pettit Formation is 500'-600' thick. Both formations are tight gas sandstones and have similar fluid and rock properties. Both formations have porosity development within the thick intervals which are thin, lenticular and are of limited areal extent. Cumulative production from the Appleby, N. (Travis Peak) Field is 42.3 BCF and 592,000 BC; and an average current daily production per well of 297 MCFD. Cumulative production from the Appleby, N. (Pettit) Field is 5.6 BCF and 60,000 BC; and an average current daily production per well of 89 MCFD.

The initial downhole commingling authority was granted to BRG Petroleum in 1997. The vast majority (54 out of 68) of the authorities were granted more recently since 2005. In 2005 the well count in the Appleby, N. (Travis Peak) Field has increased from 35 wells to the current count of 72 wells. The increased drilling activity is due to rising gas prices and infill drilling. EOG Resources believes downhole commingling wells in these fields will lower the economic limit and thereby increase recovery. In the initial downhole commingling application submitted by BRG Petroleum in 1997, BRG Petroleum estimated incremental recovery of 300 MMCF per well. If this application is not approved, operators would have to apply for a Rule 10 exception for each individual wellbore. The operator would then have to test both fields individually in each wellbore to provide the technical data necessary before commingling.

No fluid compatibility problems have occurred in previously commingled wells. Any cross-flow which may occur will therefore not cause reservoir damage. EOG Resources does not expect any cross-flow to occur because the zones similar bottom hole pressures.

It is requested that the commingled wellbores be assigned to the Appleby, N. (Travis Peak) Field for proration purposes.

EOG Resources provided notice of this hearing to all operators in all of the subject fields. No one appeared at the hearing to protest the application.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the Appleby, N. (Travis Peak) and Appleby, N. (Pettit) Fields.
2. The Appleby, N. (Travis Peak) Field has five operators with 72 wells. Field rules specify 467-933' well spacing and 640 acre proration units with 40 acre optional units.

3. The Appleby, N. (Pettit) Field has five operators with 9 wells carried on the proration schedule, and is under Statewide Rules. Both fields are AOF.
4. Cumulative production from the Appleby, N. (Travis Peak) Field is 42.3 BCF and 592,000 BC; and cumulative production from the Appleby, N. (Pettit) Field is 5.6 BCF and 60,000 BC.
5. There have already been 68 exceptions to Statewide Rule 10 allowing wells to be commingled in these two fields, and the commingled wells are carried in the Appleby, N. (Travis Peak) Field.
 - a. The daily average production per well in the Appleby, N. (Travis Peak) Field is 297 MCFD.
 - b. The daily average production per well in the Appleby, N. (Pettit) Field is 89 MCFD.
6. Cross-flow between the fields is not expected because bottomhole pressures are similar. No fluid compatibility problems have been observed in previously commingled wells and water analysis indicates very little scaling tendencies.
7. Downhole commingling production from these fields will prevent waste because separate completions in the Pettit are generally not economic any more.
8. Downhole commingling wells in these fields will lower the economic limit and thereby increase recovery.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested Rule 10 exceptions for all wells in the Appleby, N. (Travis Peak) and Appleby, N. (Pettit) Fields will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested Rule 10 exceptions for all wells in the Appleby, N. (Travis Peak) and Appleby, N. (Pettit) Fields, as specified in the attached order.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel