



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0282089

THE APPLICATION OF BURLINGTON RESOURCES O&G CO. LP., TO AMEND THE
THE FIELD RULES FOR THE EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA,
DIMMIT, GONZALES, LA SALLE, MCMULLEN, WILSON AND ZAVALA COUNTIES,
TEXAS

OIL AND GAS DOCKET NO. 02-0282092

THE APPLICATION OF BURLINGTON RESOURCES O&G CO. LP., TO AMEND THE
FIELD RULES FOR THE EAGLEVILLE (EAGLE FORD-2) FIELD, DE WITT, KARNES,
LAVACA AND LIVE OAK COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Paul Dubois - Technical Examiner
Marshall F. Enquist - Legal Examiner

DATE OF HEARING: June 13, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Jamie Nielson
Greg Cloud

Burlington Resources O&G Co. L.P.

INTERESTED PARTIES:

John Soule

Petrohawk Operating Co.
Geosouthern Energy

Sandra Buch
Meri Lynn Gobran

Pioneer Natural Resources USA, Inc.

OBSERVERS:

Tim Smith

Petrohawk Operating Co.

EXAMINERS' REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

Field Rules for the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields were adopted in Final Order Nos. 01-0266450 and 02-0266475, respectively, effective November 30, 2010, as amended. The current Field Rules are provided by *nunc pro tunc* Orders for Docket Nos. 01-0274323 and 02-0274324, dated June 26, 2012 and summarized as follows:

1. Designation of the fields as the correlative interval from 10,294 feet to 10,580 feet, as shown on the log of the EOG Resources, Inc. - Milton Unit, Well No. 1 (API No. 42-255-31608);
2. 330' lease line spacing for the perpendicular distance along a horizontal drainhole, 100' lease line spacing for the first and last take points and no between well spacing with special provisions for take points, off-lease penetration point, no perforation zones, and a box rule for horizontal drainhole wells;
3. 80 acre oil units with the assignment of additional acreage for horizontal wells pursuant to Statewide Rule 86;
4. Allocation based on 100% acres, a maximum oil allowable of 2,000 BOPD and no casinghead gas limitation for oil wells.
5. A six month exception to Statewide Rule 13 requiring producing an oil well through tubing.
6. A six month exception to Statewide Rule 51 requiring the timely filing of potential tests.

Both subject fields contain hydrogen sulfide and all operators are required to comply with the provisions contained in Statewide Rule 36.

Because many wells in this field flow oil to the surface for months after completion, Burlington Resources Oil & Gas Company LP (Burlington) requests that Field Rule 5 be amended as follows:

5. A flowing oil well will be granted administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(5)(A)¹ exceptions, a six month exception to Statewide Rule 13(b)(5)(A) regarding the requirement of having to be produced through tubing. A revised completion report will be filed once the oil well has been equipped with the required tubing string to reflect the actual completion configuration. This exception would be applicable for new drills, reworks, recompletions or for new fracture stimulation treatments for any flowing oil well in the field. For good cause shown, which shall include the well flowing at a pressure in excess of 300 psi, an operator may obtain administratively from the district director, without the necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(5)(A) exceptions, one or more extensions each with a duration of up to six months. If the request for an extension of time is denied, the operator may request a hearing. If a hearing is requested the exception shall remain in effect pending final Commission action on the request for an extension.

This amendment will give Burlington and other operators flexibility with regard to when tubing is placed in the wells, allowing them to do so at a time deemed safe for the well's long-term health and productivity. The hearing was not protested, and the examiners recommend approval of the proposed amended Field Rules.

DISCUSSION OF THE EVIDENCE

The Eagleville (Eagle Ford-1) Field was created in November 2010 by the consolidation of the Dilworth, Leesville and Pilgrim (Eagleford) Fields. The average depth of the field is 10,600 feet and there are 1,591 producing oil wells carried on the proration schedule. Cumulative production from the field through April 2013 is 111 MMBO and 145 BCFG. The Eagleville (Eagle Ford-2) Field was created in November 2010 by the consolidation of the Eagleville and Klotzman (Eagleford) Fields. The average depth of the field is 10,300 feet and there are 1,092 producing oil wells carried on the proration schedule. Cumulative production from the field through April 2013 is 112 MMBO and 191 BCFG.

Many oil wells in these fields flow back to surface following fracture stimulation.

¹ Texas Administrative Code, Title 16, Part 1, § 3.13(b)(5)(A) has been amended, effective January 1, 2014 after which this provision will be identified as § 3.13(b)(4)(A).

Some wells produce initially in excess of 2,000 BOPD. Burlington provided data for 17 wells with initial flowing casing pressure ranging from 2,400 psig to 7,200 psig. Oil production and casing pressure declines over time can vary greatly from well to well. Burlington estimated that these 17 wells would require from 7 to 17 months of continued production through casing for the pressure to decline to 1,250 psig. Burlington's production strategy is to utilize reservoir pressure to produce the well up the casing and to add tubing before the well shows signs of liquid loading. Reducing the reservoir pressure to about 1,250 psig will allow Burlington to kill an Eagleville well (for tubing placement) with clear brines instead of heavier mud weights, which can damage the reservoir.

Current Field Rule 5 allows an operator to apply for one six month extension followed by a three month extension on the requirement of Statewide Rule 13(b)(5)(A) regarding tubing. Extensions are requested and obtained from the District Director. If an extension is denied, a hearing may be requested. Burlington argued that flowing casing pressure would be a more responsible bright line for the tubing placement than time; Burlington's practice was to set tubing when the casing pressure fell below about 1,250 psig. Burlington and others at the hearing—representatives of Geosouthern Energy, Petrohawk Operating Company, and Pioneer Natural Resources—were in agreement that 300 psig would be an acceptable lower bound for flowing casing pressure to be written into the rule.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Eagleville (Eagle Ford-1) Field was created in November 2010 by the consolidation of the Dilworth, Leesville and Pilgrim (Eagleford) Fields. The average depth of the field is 10,600 feet and there are 1,591 producing oil wells carried on the proration schedule.
3. The Eagleville (Eagle Ford-2) Field was created in November 2010 by the consolidation of the Eagleville and Klotzman (Eagleford) Fields. The average depth of the field is 10,300 feet and there are 1,092 producing oil wells carried on the proration schedule.
4. Many wells in the Eagle Ford trend have high initial potentials of over 2,000 BOPD and initial flowing casing pressure over 2,400 psig.
5. Statewide Rule 13(b)(5)(A) requires oil wells to produce through tubing.
6. Field Rule 5 allows an operator to seek an extension of time to meet the tubing requirement of Statewide Rule 13.
7. Setting tubing requires that the well production be temporarily killed.

8. Killing well production requires displacement of oil with a weighted fluid.
9. Higher flowing casing pressures require heavier weighted mud; heavier weighted muds may cause damage to the well and reservoir.
10. Lower casing pressures can be killed with clear brines, which have less potential to damage the well and reservoir.
11. Allowing the well to flow for a period of time to reduce the flowing casing pressure will enable the tubing to be placed with less risk of well or reservoir damage and waste of reserves.

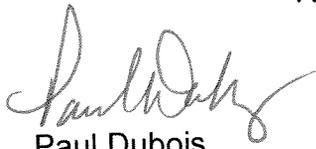
CONCLUSIONS OF LAW

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. Approval of the amended Field Rules for the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields will prevent waste, protect correlative rights and promote development of the fields.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the amended Field Rules for the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields, as requested by Burlington Resources Oil & Gas Co., Inc.

Respectfully submitted,


Paul Dubois
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Marshall F. Enquist
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