



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0297222

THE APPLICATION OF EOG RESOURCES, INC. TO AMEND FIELD RULES FOR THE EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA, DIMMIT, FRIO, GONZALES, LA SALLE, MCMULLEN, WILSON AND ZAVALA COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 02-0297221

THE APPLICATION OF EOG RESOURCES INC, TO AMEND THE FIELD RULES FOR THE EAGLEVILLE (EAGLE FORD-2) FIELD, DE WITT, KARNES, LAVACA AND LIVE OAK COUNTIES, TEXAS

HEARD BY: Richard Eyster, P.G. - Technical Examiner
Marshall Enquist - Administrative Law Judge

HEARING DATE:	August 11, 2015
EXAMINER LETTER TO APPLICANT:	September 3, 2015
APPLICANT RESPONSE LETTER:	September 14, 2015
EXAMINER RESPONSE LETTER:	December 18, 2015
APPLICANT RESPONSE LETTER:	January 04, 2016
RECORD CLOSED:	January 04, 2016

CONFERENCE DATE: March 8, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT: Doug Dashiell Jeremy Montanez Dan Wilkerson	EOG Resources, Inc.
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INTERVENERS: Greg Cloud Jamie Nielson	Burlington Resources Oil & Gas Company LP
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EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc (EOG) is seeking to amend the Field Rules for the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields. Initially EOG had requested amendments to Rule No. 3, to provide for 20 acre options and to amend Rule No. 4 to change the daily oil allowable from 2,000 BOPD to 8,000 BOPD. During the hearing EOG stated that they were withdrawing their request to amend Rule No. 3 for 20 acre options but is requesting that the last paragraph of Rule No. 3c be deleted and new language added.

EOG is also proposing to adopt two new rules, Rule No. 7 to provide for Stacked Lateral language and a new Rule No. 8 to provide for a one time 180 day exception to Statewide Rule 32(f). Burlington Resources Oil & Gas Company LP (Burlington) in its role as an Intervener also suggested language they would like to see added to the proposed Rule No. 7. EOG stated they were agreeable to the additional Rule No.7 language proposed by Burlington.

The current Field Rules for the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields were adopted in Final Order Nos. 01-0282089 and 02-0282092, respectively, effective June 13, 2013, as amended and summarized as follows:

- Rule 1: The entire correlative interval from 10,294 feet to 10,580 feet, shall be designated as a single reservoir for proration purposes and be designated as the Eagleville (Eagle Ford-2) Field.
- RULE 2: No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line, or subdivision line. There is no minimum between well spacing requirement.
- RULE 3. 80 acre oil units with the assignment of additional acreage for horizontal wells pursuant to Statewide Rule 86;
- RULE 4. Allocation based on 100% acres, a maximum oil allowable of 2,000 BOPD and no casinghead gas limitation for oil wells.
- RULE 5. A six month exception to Statewide Rule 13 requiring producing an oil well through tubing and revised completion reports.
- RULE 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.

EOG seeks to adopt following changes:

Rule 1. No change

Rule 2. No change

Rule 3. The Applicant is proposing to change last paragraph of Rule 3 to read: For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units, or Form P-16 Data Sheet Acreage Designation. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes. Operators shall not be required to file plats with the Form P-15 or Form P-16 Data Sheet. Operators may, however, file such proration unit plats for individual wells in the field if they so choose. Provided further that if the acreage assigned to any well has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled. There is no maximum diagonal limitation in this field.

Rule 4. Applicant is requesting to delete the current Rule 4 language and replace it with the following language: The maximum daily oil allowable for a well in the field shall be determined by multiplying 8,000 barrels of oil per day by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for a vertical well for proration purposes, exclusive of tolerance acreage. Each oil well shall have unlimited net gas-oil ratio authority.

Rule 5. No change

Rule 6. No Change

Rule 7. The Applicant is requesting language for a new Stacked Lateral Rule 7 (1) (c). The proposed language reads: All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is the distance from the two most distant take points.

The Rule No. 7 language proposed by the Applicant and Intervener reads: All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is the distance from the two most distant take points. If the take points that define the length of the rectangle are located on two wells (Defining Wells"), the operator shall demonstrate that at least 50 percent of the distance between the first and last take points of each such Defining Well overlap.

Rule 8. EOG is proposing a new Rule 8 to provide for an exception to SWR 32(f) to authorize the release of casinghead gas for a period not to exceed thirty 30 producing days (as opposed to the current 10 day exception), after initial completion or workover operation in the Eagleville (Eagle Ford-1 & 2) Fields, including perforating, stimulating, deepening, clean out, well maintenance or repair operations. The proposed rule would also provide that a single administrative exception to Rule 32 may be granted for a period of up to 180 days upon request. For gas volumes in excess of 50 mcf/day for each Commission designated oil lease or commingled vent or flare point. This single exception may be obtained upon a payment of two (2) times the fee required by SWR 78 (\$375.00) for a flaring permit for a total fee of \$ 750.00 or three (3) times the \$375 fee for \$1,125.

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 as of April 30, 2015 there are 4,629 completed oil wells. 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 as of April 30, 2015 there are 2,826 producing oil wells carried on the proration schedule. Many oil wells in these fields flow back to surface following fracture stimulation. EOG asserts the proposed amendments to the current field rules is necessary to facilitate additional drilling and development in the Eagle Ford -1 and Eagle Ford -2 Fields, prevent waste and protect correlative rights.

The Applicant believes the proposed change to the last paragraph of Rule No. 3 will reduce the regulatory burden on operators and the state.

The proposed amendment to Rule No. 4 will change the maximum oil allowable of 2,000 BOPD to 8,000 BOPD. The Applicant believes the current allowable is not adequate. The initial production in these Fields is between 1,500 to 5,000 barrels of oil per day. Currently the 40 acre allowable is 1000 barrels of oil per day. The increase in allowable will provide the Applicant the opportunity to drill more than one well on 40 acres.

After review of the Applicant's proposed Rule No. 7(c)(1) language presented at the hearing the Examiners sent a letter dated September 3, 2015 to the Applicant and the Intervener suggesting alternate language to the proposed language. The alternate language reads as follows: All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is 1.1 times the distance from the first and last take points of the record well.

Burlington responded in a September 10, 2015 letter. The letter stated the 1.1 times the distance from the first and last take points of the record well is inadequate and suggested a multiplier of 1.4 times the distance from the first and last take points of the record well. Burlington submitted two exhibits purporting to illustrate the need for flexibility in the definition of a stacked lateral rectangle. Burlington Exhibits Nos. 3 and 4. Exhibit No.3 depicts actual Burlington Eagle Ford unit boundaries and wells, existing and planned. Exhibit No. 4 is Exhibit No. 3 with calculations showing the multiplier the Applicant thinks is needed to accommodate the drain holes of the three stacked lateral wells shown on Exhibit No. 3. Exhibit No. 4 shows the calculations for the Metz Ranch Unit A, the Korth Vickers Unit A, and the Korth Unit B.

The Metz Ranch is a rectangle 4,977 feet in length to accommodate the two drain holes shown on the exhibit. The record Well has a first-to-last take point distance of 4,371 feet. Dividing the length of the rectangle by the drainhole length of Record Well ($4,977\text{ft}/4,371\text{ft}$) yields a multiplier of 1.14 which Burlington rounds up to 1.2.

The Korth Vickers Unit A is a rectangle 6,504 feet in length is needed to accommodate the three drain holes shown on the exhibit. The record Well has a first-to-last take point distance of 5,771 feet. Dividing the length of the rectangle by the drainhole length of Record Well ($6,504\text{ft}/5,771\text{ft}$) yields a multiplier of 1.13 which Burlington rounds up to 1.2.

The Korth Vickers Unit B a rectangle 4,817 feet in length is needed to accommodate the three drain holes shown on the exhibit. The record Well has a first-to-last take point distance of 3,548 feet. Dividing the length of the rectangle by the drainhole length of Record Well (4,817 ft/3,548 ft) yields a multiplier of 1.36 which Burlington rounds up to 1.4.

The September 10, 2015 Burlington letter also proposed eliminating the reference to a Record well and instead allow the multiplier to be applied to any drainhole of the stacked lateral. Burlington asserted that eliminating the Record Well requirement will eliminate some number of operator filings to change the Record Well designation without compromising the limitations on stacked lateral configuration and the multiplier.

EOG responded to the Examiners September 3, 2015 letter with a letter dated September 14, 2015 supporting Burlington's contention that a 1.1 multiplier is not adequate and requests that a 1.4 multiplier be used. EOG also supports elimination of the Well of Record, and instead allow the multiplier to be applied to any drainhole of the stacked lateral.

After consideration of the replies of Burlington and EOG, the Examiners sent a letter dated December 18, 2015 stating that the Examiners are considering adoption of compromise language for Rule 7(c)(1) in line with the draft rule amendment for Statewide Rule 3.86(a)(10)(C) which states "...all points of a stacked lateral well's horizontal drainholes are within a rectangular area, the width of which is 660 feet, and the length of which is 1.2 times the distance between the first and last take points of the record well. The proposed compromise language for Rule 7(1)(c) is as follows:

All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is 1.2 times the distance between the first and last take points of the Record Well.

The Examiners requested that EOG and Burlington inform the Examiners by January 4, 2016, whether Burlington and EOG consider this alternative stacked lateral language to be adverse. EOG and Burlington responded by letters dated January 4, 2016 that they do not consider the alternative stacked lateral language the Examiners suggested using a 1.2 multiplier to be adverse.

The Examiners recommend the following Rule No. 7(c)(1) language be adopted:

"All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is 1.2 times the distance between the first and last take points of the longest horizontal drainhole of the stacked lateral well."

Rule No. 8. EOG is proposing a new Field Rule No. 8 to provide for an exception to SWR 32(f) to authorize the release of casinghead gas for a period not to exceed thirty 30 producing days (as opposed to the current 10 day exception), after initial completion or workover operation in the Eagleville (Eagle Ford-1 & 2) Fields, including perforating, stimulating, deepening, clean out, well maintenance or repair operations. The proposed rule would also provide that a single administrative exception to Rule 32 may be granted for a period of up to 180 days upon request. For gas volumes in excess of 50 mcf/day for each Commission designated oil lease or commingled vent or flare point. This single exception may be obtained upon a payment of two (2) times the fee required by SWR

78 (\$375.00) for a flaring permit for a total fee of \$ 750.00 or three (3) times the \$375 fee for \$1,125. EOG stated at the hearing that they would not consider denial to proposed Rule No. 8 to be adverse

After reviewing the proposed Rule No. 8 language the Examiners sent a letter dated September 8, 2015 to the Applicant stating:

“For a variety of reasons, the examiners believe this is a change that should be made at the level of a Statewide Rule, not in a field rule. Consequently, the Examiners cannot recommend adoption of the first part of proposed Rule 8. If EOG considers this adverse, please respond within 14 days of the date of this letter.”

The Examiners did not receive a response from EOG and do not recommend adoption of Field Rule 8.

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 4,629 completed 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 2,826 completed oil wells carried on the proration schedule.
4. The subject application is unprotected.
5. The current special field rules that govern the Fields are memorialized in writing as seen in Oil & Gas Final Order Nos. 01-0282089 and 01-0282092.
6. EOG requests that the subject field's existing field rules be amended to include:
 - a. Rule 3, add language addressing filings of Plats.
 - b. Rule 4, Change the maximum daily oil allowable for a well in the field to 8,000 barrels of oil per day.
 - c. Stacked laterals provisions.
 - d. New Rule No. 8 to add flaring language.
7. Adoption of EOG 's proposed Field Rule Numbers, 3, and 4, is appropriate for further development of the Field.

8. Adoption of the proposed Rule No. 7 language. "All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is 1.2 times the distance between the first and last take points of the longest horizontal drainhole of the stacked lateral well will allow EOG to effectively recover reserves. .
9. Applicant requested adoption of Field Rule No. 8, to provide for an exception to SWR 32(f) to authorize the release of casinghead gas for a period not to exceed thirty 30 producing days (as opposed to the current 10 day exception), after initial completion or workover operation in the Eagleville (Eagle Ford-1 & 2) Fields, including perforating, stimulating, deepening, clean out, well maintenance or repair operations. The proposed rule would also provide that a single administrative exception to Rule 32 may be granted for a period of up to 180 days upon request. For gas volumes in excess of 50 mcf/day for each Commission designated oil lease or commingled vent or flare point. This single exception may be obtained upon a payment of two (2) times the fee required by SWR 78 (\$375.00) for a flaring permit for a total fee of \$ 750.00 or three (3) times the \$375 fee for \$1,125.
 - a. By letter to EOG dated September 8, 2015 the Examiners stated is a change that should be made at the level of a Statewide Rule, not in a field rule. Consequently, the examiners cannot recommend adoption of the first part of proposed Rule 8. If EOG considers this adverse, please respond within 14 days of the date of this letter."
 - b. EOG did not respond to the September 8, 2015 letter.
 - c. The Examiners do not recommend adoption of Field Rule 8.

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. Adopting amended field rules is necessary to prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the following:

- a. The proposed Field Rule No. 3, be adopted for the Eagleville, (Eagle Ford -1) and (Eagle Ford-2) Fields, as proposed by EOG, INC.
- b. The proposed Field Rule No. 4, be adopted for the Eagleville, (Eagle Ford -1) and Eagle Ford-2 Fields, as proposed by EOG, INC.

- c. The proposed Field Rule No. 7, as amended be adopted for the Eagleville, (Eagle Ford -1) and the (Eagle Ford-2) Fields.
- d. The proposed Special Field Rule No. 8, be denied for the Eagleville, (Eagle Ford -1) and (Eagle Ford-2) Fields.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Marshall Enquist
Administrative Law Judge