

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL**

OIL AND GAS DOCKET
NO. 01-0265787

IN RE: CONSERVATION AND PREVENTION
OF WASTE OF CRUDE PETROLEUM
AND NATURAL GAS IN THE STATE
OF TEXAS

Amended to delete fields from Exhibit A
and expand service list.

Austin, Texas
June 4, 2010

AMENDED
NOTICE OF HEARING
ON THE APPLICATION OF EOG RESOURCES, INC.
TO CONSOLIDATE MULTIPLE EAGLE FORD SHALE OIL & GAS FIELDS
IN RAILROAD COMMISSION DISTRICTS 1, 2, AND 4,
INTO THE EAGLEVILLE (EAGLE FORD) FIELD AND TO
ADOPT TEMPORARY OIL & GAS FIELD RULES FOR THE
EAGLEVILLE (EAGLE FORD) FIELD

NOTICE IS HEREBY GIVEN to the public and to all interested persons that under the legal authority and jurisdiction of Title 3, Oil and Gas, Subtitles A, B, and C of the Texas Natural Resources Code, Chapters 26, 27 and 29 of the Texas Water Code, and TEX. GOV'T CODE ANN. art. §§ 2001 *et seq.* (2010), the RAILROAD COMMISSION OF TEXAS will hold a hearing on **JUNE 25, 2010, at 9:00 a.m.** at the William B. Travis State Office Building, 1701 N. Congress Avenue, Austin, Texas. This hearing will be conducted in conformity with the TEX. GOV'T CODE ANN. art. §§ 2001 *et seq.* (2010). For room assignment, on the date of the hearing please check the bulletin board in the 1st Floor lobby. Persons planning to attend this hearing are urged to contact the applicant (see service list) immediately prior to the hearing date to be sure that the hearing will proceed on the scheduled date.

This hearing will be held to consider the application of EOG Resources, Inc. to consolidate multiple Eagle Ford Shale Oil & Gas Fields in Railroad Commission Districts 1, 2, and 4, into the Eagleville (Eagle Ford) Field and to Adopt Temporary Oil & Gas Field Rules

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for the Eagleville (Eagle Ford) Field, to consider merging and consolidating all existing Eagle Ford Shale fields in Railroad Commission Districts 1, 2, and 4 into the Eagleville (Eagle Ford) Field. This request to merge fields includes those fields listed on the attached Exhibit "A," and any other Eagle Ford Shale fields that may exist in these districts. Applicant further requests that the Commission adopt temporary oil and gas field rules for the Eagleville (Eagle Ford) Field to be applicable throughout each of these districts. Applicant proposes the following specific rules be adopted:

Rule 1. The entire 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), Section 64, John Randon Survey, A-247, Karnes County, Texas shall be designated as a single reservoir for proration purposes and be designated as the Eagleville (Eagle Ford) Field. Note: EOG intends for the field interval to include all of the Eagle Ford Shale and no other formation.

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 and there shall be no minimum between well spacing requirement. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above-spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit. Provided, however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein described whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or prevent the confiscation of property. When exception to these rules is desired, the application therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38 which applicable provisions of said rules are incorporated herein by reference. In applying this rule, the general order of the Commission with respect to the subdivision of property shall be observed.

Provided that for purposes of spacing for horizontal drainhole wells, the following shall apply:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil or gas can be produced in 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 different location than the terminus point.

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- b. The first take point and the last take point in a horizontal well shall not be nearer than one hundred (100) feet from any property line, lease line, or subdivision line and the minimum distance measured perpendicular to a horizontal drainhole from any take point on such drainhole to any point on any property line, lease line, or subdivision line shall be a minimum of three hundred thirty (330) feet. If any point on a horizontal drainhole does not comply with this rule, then an exception to Rule 37 must be obtained.

A properly permitted horizontal drainhole will be considered to be in compliance with the spacing rules set forth herein if the as-drilled location falls within a rectangle established as follows:

- a. Two sides of the rectangle are parallel to the permitted drainhole and 33 feet on either side of the drainhole;
- b. The other two sides of the rectangle are perpendicular to the sides described in "a" above, with one of these sides passing through the first take point and the other side passing through the last take point.

Any take point of a horizontal drainhole outside of the described rectangle must conform to the permitted distance to the nearest property line, lease line, or subdivision line, measured perpendicular to the wellbore.

In addition to the penetration point and the terminus for the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take point must also be identified on the drilling permit application (Remarks section) and plat. Operator shall file an as-drilled plat showing the surface location, path, penetration point, terminus, and all take points of all drainholes in horizontal wells regardless of allocation formula.

For any well permitted in this field, the penetration point need not be located on the same lease, pooled unit, or unitized tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interest where there is no designated operator or lessee. In providing such notice, applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If any mineral owner of the Offsite Tract objects to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract

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penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

Rule 3. The acreage assigned to the individual oil well for the purpose of allocating allowable and production thereto shall be known as a proration unit. The standard drilling and proration units for oil wells are established hereby to be eighty (80) acres. No proration unit shall consist of more than eighty (80) acres, except as hereinafter provided.

If, after the drilling of the last well on any lease and the assignment of acreage to each well thereon, in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than eighty (80) acres, then in such event the remaining unassigned acreage up to and including a total of forty (40) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission. Additional acreage may be assigned to proration units for horizontal drainhole oil wells as provided in Statewide Rule 86.

Rule 4. The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units for gas wells are established hereby to be three hundred twenty (320) acres. No proration unit shall consist of more than three hundred twenty (320) acres; provided that tolerance acreage of ten percent (10%) shall be allowed for each standard proration unit so that an amount not to exceed a maximum of three hundred fifty two (352) acres may be assigned. Each proration unit containing less than three hundred twenty (320) acres shall be a fractional proration unit. All proration units for gas wells shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas. No double assignment of acreage will be accepted.

An operator, at his option, shall be permitted to form optional drilling units of eighty (80) acres. A proportional acreage credit will be given for a well on a fractional proration unit.

Notwithstanding the above, the acreage assigned to a gas well which has been drilled as a horizontal drainhole, may contain more than 320 acres, provided that the following formula is utilized to determine the proper assignment of acreage:

$$A = (L \times 0.16249) + 320 \text{ acres}$$

Where:

A = calculated area assignable, if available, to a horizontal drainhole for proration purposes rounded up to the next whole number evenly divisible by 40 acres;

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L = the horizontal drainhole distance measured in feet between the first take point and the last take point.

For a determination of acreage credit in this field, operators shall file for each oil well and gas well in this field a Form P-15, Statement of Productivity of Acreage Assigned to Proration Units. 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.

For oil wells, operators shall be required to file, along with the Form P-15, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units.

Rule 5. The maximum daily oil allowable for each well in the field drilled on a standard proration unit shall be 310 barrels of oil per day, upon expiration of the discovery allowable of 510 barrels per day. Additional oil allowable may be assigned to oil wells pursuant to the provisions of Statewide Rule 86. The allowable for each well shall be determined by multiplying the applicable allowable by a fraction, the numerator of which is the acreage assigned for proration purposes and the denominator of which is eighty (80) acres. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49a when applicable.

Rule 6. Gas wells shall be assigned allowable as associated prorated wells with no limitations under Statewide Rule 49b. The daily allowable production of gas from individual gas wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all proratable gas wells producing from this field. Note: EOG intends for this allocation formula for gas wells to be suspended and for all accrued overproduction of oil and gas be cancelled.

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EXHIBIT "A"

<u>Field Name</u>	<u>Field ID</u>	<u>District</u>
Cherokee (Eagle Ford)	17466 200	01
Dilworth (Eagle Ford)	24806 300	01
Eagle (Eagle Ford)	27066 200	01
Fashing (Eagle Ford)	30379 300	01
Glenwinkel (Eagle Ford 2300)	35387 500	01
Jayeddie, S. (Eagle Ford)	45957 500	01
Junco (Eagle Ford Shale)	47665 500	01
Los Cuatros (Eagle Ford)	54948 080	01
Sacatosa (Eagle Ford)	79451 250	01
Salt Flat, West (Eagle Ford)	79912 500	01
De Witt (Eagle Ford Shale)	24492 500	02
Eagle Ridge (Eagle Ford Shale)	27125 500	02
Eagleville (Eagle Ford)	27135 500	02
Apache Ranch (Eagle Ford)	03243 400	04
Briscoe Ranch (Eagleford)	12018 200	01
Cage Ranch (Eagleford)	14606 495	01
Chittim (Eagleford)	17876 228	01
Eagle Pass (Eagleford)	27112 500	01
Espantosa Lake (Eagleford)	29350 600	01
Hawkville (Eagleford Shale)	39744 500	01
Leesville (Eagleford)	52930 250	01
Milano (Eagleford)	61342 400	01
Pilgrim (Eagleford)	71486 600	01
Thompson Bend (Eagleford)	89542 500	01
Klotzman (Eagleford)	49854 200	02
Sugarkane (Cretaceous)*	86950 500	02
Flintstone (Cretaceous Chalk)	31487.500	02

*This field currently includes both the Austin Chalk and Eagle Ford formations. In Oil and Gas Docket No. 02-0264837 Burlington Resources has asked to separate out this field into the Sugarkane (Eagle Ford) and Sugarkane (Austin Chalk) fields. EOG's application is intended to apply only to the Eagle Ford shale portion of the Sugarkane (Cretaceous) field.

If you have questions regarding this application, please contact the Applicant's representative, Doug Dashiell, at (512) 495-6300. If you have any questions regarding the