



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NOS. 01-0300279, 01-0300282, 01-0300284, 01-0300285, AND 02-0300426

THE APPLICATIONS OF EOG RESOURCES, INC. FOR EXCEPTIONS TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES IN THE EAGLEVILLE (EAGLE FORD-1) AND EAGLEVILLE (EAGLE FORD-2) FIELDS, ATASCOSA, GONZALES, KARNS, MCMULLEN AND WILSON COUNTIES, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: June 16, 2016

CONFERENCE DATE: August 24, 2016

APPEARANCES:

Doug Dashiell
Jeffrey Perry

EOG Resources, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. seeks exceptions to 16 TAC §3.32 (Statewide Rule 32) to flare gas from five flare points. The five flare points are located at oil and gas gathering facilities that are connected to gas sales pipelines. However, the pipelines cannot accommodate the sour gas produced from the subject facilities. EOG provided evidence that the cost to either construct treatment facilities or build pipelines to sour gas sales points is prohibitive. Therefore, EOG seeks authority to flare from 60 to 150 thousand cubic feet (mcf) of gas from each of the five subject facilities for a period of up to two years. The applications were not protested. The Technical Examiner and Administrative Law Judge (collectively referred to as "Examiners") recommend the applications be granted.

DISCUSSION OF THE EVIDENCE

EOG requests exceptions to flare gas from a number of leases that produce from the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields in Atasc, Gonzales, Karns, McMullen and Wilson Counties, Texas. Generally, Statewide Rule 32 governs the utilization for

legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. EOG seeks relief in the captioned dockets pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)...if the operator of a well or production facility presents information to show the necessity for the release...

Statewide Rule 32(h)(4) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

Because EOG requests exceptions for more than 180 days and to flare more than 50 mcf of hydrocarbon gas per day, the procedure to address EOG's request for an exception is through a hearing resulting in a final order signed by the Commission.

Docket No. 01-0300279 – The Perdiz Unit

The Perdiz Unit (Lease No. 01-16697) produces from the Eagleville (Eagle Ford-1) Field in Atascosa County, Texas. There are two wells on the unit, nos. 1H and 2H. Well No. 1H was completed in January 2013. On initial potential testing the well produced 1,319 barrels of oil and 384 mcf gas. In June 2013, EOG filed a Form H-9 documenting 3,000 ppm hydrogen sulfide (H₂S) in the produced gas. The unit facility is connected to a sweet gas pipeline.

In August 2015 EOG began flaring gas on a daily basis. Currently the unit produces about 60 mcf gas per day, all of which is flared. Commission staff granted EOG administrative authority (Permit No. 24298) to flare 100 mcf of gas per day from the Perdiz Unit from September 1, 2015 until May 10, 2016, for a period of 180 days (the flaring authority did not appear to be in effect for the month of December 2015, although flaring continued during this time).

On April 13, 2016, EOG requested a hearing to extend the flaring authority. EOG seeks continued authority to flare up to 60 mcf gas per day from the Perdiz Unit facility for a period of two years, from May 11, 2016 through May 10, 2018. EOG provided evidence that (1) the cost to treat the sour gas to sweet gas specifications would result in a loss of \$5 per day; and (2) the cost to construct a 1.6 mile sour gas pipeline to bring the gas to market is not economically viable and would result in a five-year loss of about \$262,286.

Docket No. 01-0300279 – The Ali/Foreman Unit

The Ali/Foreman Unit (Ali Lease No. 01-17996 and Foreman Lease No. 01-17995) produces from the Eagleville (Eagle Ford-1) Field in Wilson County, Texas. There are two wells on the unit. Ali Lease Well No. 1H was completed in August 2014. On initial potential testing the well produced 885 barrels of oil and 75 mcf gas. EOG did not provide information for the

Foreman Lease Well No. 1. In June 2015, EOG filed a Form H-9 documenting the 2,000 ppm H₂S in the produced gas from the combined Ali/Foreman Unit. The H₂S concentration has since increased to about 20,000 ppm. The unit facility is connected to a sweet gas pipeline.

In October 2015 EOG began flaring gas on a daily basis. Currently the unit produces about 75 mcf gas per day, all of which is flared. Commission staff granted EOG administrative authority (Permit No. 25200) to flare up to 125 mcf of gas per day from the Ali/Foreman Unit from November 1, 2015 until April 30, 2016, for a period of 180 days.

On April 13, 2016, EOG requested a hearing to extend the flaring authority. EOG seeks continued authority to flare up to 100 mcf gas per day from the Ali/Foreman Unit facility for a period of two years, from May 1, 2016 through April 30, 2018. EOG provided evidence that (1) the cost to treat the sour gas to sweet gas specifications would result in a loss of \$515 per day; and (2) the cost to construct a 1.6 mile sour gas pipeline to bring the gas to market is not economically viable and would result in a five-year loss of about \$584,267.

Docket No. 01-0300279 – The Hundley B Unit

The Hundley B (Lease No. 01-15248) produces from the Eagleville (Eagle Ford-1) Field in McMullen County, Texas. The Hundley B Lease Well No. 7H was completed in November 2014. On initial potential testing the well produced 1,740 barrels of oil and 397 mcf gas. EOG testified that the produced gas contains 200 ppm H₂S. The unit facility is connected to a sweet gas pipeline.

In November 2014 EOG began flaring gas on a daily basis. Currently the unit produces about 100 to 125 mcf gas per day, all of which is flared. Commission staff granted EOG administrative authority (Permit No. 20744) to flare up to 150 mcf of gas per day from the Hundley B Unit from November 30, 2014 until May 30, 2015, for a period of 180 days. The Commission extended this authority by Final Order (Docket No. 01-0296971, effective August 25, 2015) until April 30, 2016.

On April 13, 2016, EOG requested a hearing to extend the flaring authority. EOG seeks continued authority to flare up to 150 mcf gas per day from the Hundley B Unit facility for a period of two years, from May 1, 2016 through April 30, 2018. EOG identified two potential routes for pipelines to market connections. These include a four mile route to a sour gas sales point and a 1.5 mile route to a sweet gas sales point, which would also require treatment facilities. However, EOG testified that it has been unable to secure right-of-way access.

Docket No. 01-0300279 – The Spradlin Unit

The Spradlin Unit (Lease No. 01-16797) produces from the Eagleville (Eagle Ford-1) Field in Gonzales County, Texas. The Spradlin Lease Well No. 1H was completed in April 2013. On initial potential testing the well produced 1,993 barrels of oil and 977 mcf gas. In July 2013 EOG filed a Form H-9 documenting 280 ppm H₂S in the produced gas. The unit facility is connected to a sweet gas pipeline.

In April 2013, EOG began flaring gas on a daily basis. Commission staff granted EOG administrative authority (Permit No. 24293) to flare up to 200 mcf of gas per day from the Spradlin Unit from September 1, 2015 until April 15, 2016, for a period of 180 days.

Following a facility workover, EOG no longer has a need to flare gas from this facility, and therefore requests an exception be granted from the expiration of the administrative permit on April 15, 2016 through May 12, 2016, the last day on which flaring was required. EOG testified that a flare rate of 75 mcf gas per day was sufficient for this period of time.

Docket No. 02-0300279 – The Lyssy Unit

The Lyssy Unit (Lease No. 02-09513) produces from the Eagleville (Eagle Ford-2) Field in Karnes County, Texas. EOG provided completion information for one well on the lease, the Lyssy Lease Well No. 4H, which was completed in May 2010. On initial potential testing the well produced 606 barrels of oil and 283 mcf gas. In December 2011, EOG filed a Form H-9 documenting 120 ppm H₂S in the produced gas. The unit facility is connected to a sweet gas pipeline. Gas from three wells on the Lyssy Unit Lease (Nos. 4H, 5H and 6H) currently produce from 50 to 100 mcf gas per day.

In June 2010 EOG began flaring gas on a daily basis. The three wells on the Lyssy Unit Lease (Nos. 4H, 5H and 6H) currently produce from 50 to 100 mcf gas per day, all of which is flared. Commission staff granted EOG administrative authority (Permit No. 24327) to flare up to 100 mcf of gas per day from the Lyssy Unit from September 4, 2015 until March 3, 2016, for a period of 180 days. EOG provided evidence that no flaring occurred between September 4, 2015 and October 10, 2015, and therefore the authorized 180 days of flaring only included 123 days of actual flaring. EOG requests that the 37 days without flaring be credited to the end of the administrative permit, bringing the final authorization date to April 10, 2016.

On April 29, 2016, EOG requested a hearing to extend the flaring authority, leaving a 19-day gap without flaring authority. EOG seeks continued authority to flare up to 100 mcf gas per day from the Lyssy Unit facility for a period of two years, from April 29, 2016 through April 28, 2018. EOG provided evidence that the cost to construct a 1.6 mile sour gas pipeline to bring the gas to market is not economically viable and would result in a five-year loss of about \$248,625. Further, EOG testified that waste prevention work to improve gas sales will restrict liquids production, possibly causing waste of hydrocarbon liquids.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing.
2. EOG operates wells on the Perdiz Unit, Ali/Foreman Unit, Hundley B Unit, Spradlin Unit and Lyssy Units. The units are all connected to sweet gas sales lines.
3. Sour gas is produced from the subject units, and the gas does not meet the pipeline specifications for sweet gas facilities.

4. EOG has conducted an economic analysis of the cost to either (1) obtain right-of-way and build a pipeline to the nearest sour gas sales point, or (2) install adequate treatment facilities at the existing sweet gas sales points.
5. In all cases EOG's analysis indicated the pipeline and/or treatment options were not economically viable. Therefore, EOG requests authority to flare gas produced from the subject units.
6. Exceptions to Statewide Rule 32 will enable EOG to continue to produce hydrocarbon liquids, preventing the waste of those liquids and protecting their correlative rights.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. The requested authority to collectively flare up to 485 mcf gas per day produced from the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields in Atascosa, Gonzales, Karns, McMullen and Wilson Counties, Texas for up to two years satisfies the requirements of 16 Tex. Admin. Code §3.32.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the applications of EOG, Resources Inc. for exceptions to Statewide Rule 32 for time periods and the flare rates requested.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer Cook
Administrative Law Judge