



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 03-0296053**

**THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE JOSEY WALES LEASE, WELL NO. 1 HR, FORT TRINIDAD, EAST (BUDA) FIELD, WALKER COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 06-0296159**

**THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE COWAN UNIT, WELL NO. H, GIRLIE CALDWELL (GOODLAND LIME) FIELD, SMITH COUNTY, TEXAS**

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Terry Johnson – Legal Examiner

**HEARING DATE:** May 22, 2015  
**RECORD CLOSED:** May 22, 2015  
**SUBMISSION DATE:** August 12, 2015  
**CONFERENCE DATE:** August 25, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

George Neale  
Andy Trevino, P.E.

EOG Resources, Inc.

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

The captioned dockets were heard on a joint record at the May 22<sup>nd</sup> hearing. The applications are unprotested.

Pursuant to 16 Tex. Admin. Code §3.32, EOG Resources, Inc. ("EOG") seeks authority to continue flaring casing-head gas from each of the subject leases as follows:

1. Josey Wells Lease, Well No. 1HR: 600 MCFGD for two years;
2. Cowan Unit, Well No. 1H: 200 MCFGD for two years;

### DISCUSSION OF THE EVIDENCE

Mr. Andy Trevino, consulting engineer, testified on behalf of EOG. He stated all offset operators were provided notice and an opportunity to participate in the hearing.

#### Applicable Rules

In general, 16 Tex. Admin. Code §3.32 (“SWR 32”) governs flaring of casinghead gas produced under the jurisdiction of the Railroad Commission. Titled “Exceptions,” SWR 32(h) 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.

#### Josey Wells Lease, Well No. 1HR (“Josey 1HR”)

EOG seeks authority to flare up to 600 MCFGD from the Josey 1HR (API No. 42-471-30372) for two years, effective from March 17, 2015.

EOG received multiple administrative approvals from the Oil and Gas Division to flare casing-head gas for a total of 180-days, as follows (Flare Permit No. 18979):

	<u>Volume (MCFGD)</u>	<u>Effective Date</u>	<u>Expiration Date</u>
1.	1,600	09/17/2014	01/14/2015 (120 days)
2.	500	01/15/2014	03/16/2015 (60 days)

By letter dated March 23, 2015, EOG submitted its hearing request for the Josey 1H.

EOG submitted a copy of the completion report filed for the Josey 1HR. Mr. Trevino testified that the well was completed in the Fort Trinidad, East (Buda) Field on August 3, 2014, and tested for initial potential (“IP”) on September 17, 2014. The Josey 1HR’s IP test resulted in 15 barrels of oil per day, 1,048 MCFG per day, and 271 barrels of water per day.

EOG submitted copies of the Josey 1HR’s daily oil and casinghead gas production volumes recorded between August 2014 through May 2015. Mr. Trevino testified that the Josey 1HR was planned to be plugged and abandoned due to its poor production performance; however, EOG installed a submersible pump in the Josey 1HR in March 2013 that increased the well’s production to roughly 30 barrels of oil per day and 600 MCFG per day.<sup>1</sup> He testified that

<sup>1</sup> Compare EOG Exh. No. 7 submitted for O&G 03-0296053 with testimony at 17:40 of audio recording.

in 30 days preceding the hearing, the Josey 1HR produced casinghead gas volumes that range from 170 MCFG to over 800 MCFG.

Mr. Trevino testified that the Josey 1HR is located 6.75 miles southwest from the nearest gas market pipeline, and that it would cost EOG over \$3 million to build 6.75 miles of gas transport pipeline to market the Josey 1HR's casinghead gas. He testified that the cost to install 6.75 miles of transport pipeline exceeds the value of the Josey 1HR's anticipated recoverable reserves. Thus, EOG argues that it is not economic to market the Josey 1HR's casinghead gas at this time.

EOG requests a maximum flaring authority of 600 MCFG per day so that it may continue to produce oil from the Josey 1HR. Mr. Trevino testified that if EOG is not granted the relief sought for the Josey 1HR, it will be forced to plug and abandon the well.

#### Cowan Unit, Well No. 1H ("Cowan 1H")

EOG seeks authority to flare up to 200 MCFGD from the Cowan 1H (API No. 42-423-32335) for two years, effective from April 26, 2015.

EOG submitted a copy of the completion report filed for the Cowan 1H. Mr. Trevino testified that the well was completed in the Girlie Caldwell (Goodland Lime) Field on October 12, 2013, and for IP on February 1, 2014. The Cowan 1H's IP test resulted in 232 barrels of oil per day, 72 MCFG per day, and 274 barrels of water per day.

EOG received three administrative approvals from the Oil and Gas Division to flare casing-head gas for 180-days from the Cowan 1H, as follows (Flare Permit No. 14700):

	<u>Volume (MCFGD)</u>	<u>Effective Date</u>	<u>Expiration Date</u>
1.	150	10/25/2013	12/24/2013 (60 days)
2.	70	12/25/2013	02/23/2014 (60 days)
3.	75	02/24/2014	04/25/2014 (60 days)

By letter dated March 26, 2015, EOG submitted its hearing request for the Cowan 1H.

On April 21, 2014, EOG received permanent authority from the Oil and Gas Division to flare up to 35 MCFGD of casinghead gas from Cowan 1H.<sup>2</sup> Subsequently, EOG installed a submersible pump in the well in March 2015 that significantly increased its oil and gas production.

EOG submitted a table composed of daily production volumes recorded from the Cowan 1H between February 2015 and May 2015. Trevino testified that the Cowan 1H produced a daily range between 66 – 266 barrels of oil per day and 0 – 300 MCFG per day.<sup>3</sup>

<sup>2</sup> EOG Exh. No. 4, Pg. 7 submitted for O&G 06-0296159.

<sup>3</sup> Testimony at 31:00.

Mr. Trevino testified that the Girlie Caldwell (Goodland Lime) Field is made of only two wells. He stated that the Cowan 1H is located 1.83 miles southwest of the nearest gas market pipeline, and that it would cost EOG between \$2-3 million to build a gas transport pipeline to market the well's casinghead gas. He testified that the cost to build the mentioned gas transport pipeline exceeds the value of the Cowan 1H's anticipated recoverable reserves. Therefore, it is not economic market the Cowan 1H's casinghead gas at this time.

### FINDINGS OF FACT

1. EOG Resources, Inc. ("EOG") seeks an exception to 16 Texas Admin. Code §3.32 to flare casing-head gas derived from the Fort Trinidad, East (Buda) Field through the Josey Wales Lease, Well No. 1HR (API No. 42-471-30372) ("Josey 1HR"), and from the Girlie Caldwell (Goodland Lime) Field through the Cowan Unit, Well No. 1H (API No. 42-423-32335) ("Cowan 1H") (collectively "Subject Wells") in the following manner ("Subject Applications"):
  - a. Josey 1HR: 600 MCFGD from 03/17/2015 to 03/17/2017
  - b. Cowan 1H: 200 MCFGD from 03/26/2015 to 03/26/2017
2. Notice of Hearing was provided to all immediate offsetting operators adjacent to the Subject Leases in Oil & Gas Docket Nos. 03-0296053 and 06-0296159, heard on May 22, 2015.
3. EOG received administrative authority to flare the listed casing-head gas volume that corresponds with each of the Subject Wells during the following time frames (MCFGD represents 1,000 cubic feet of gas per day):
 

a. Josey 1HR:	9/17/14 through 1/14/15	1,600 MCFGD
	1/15/15 through 3/16/15	500 MCFGD
b. Cowan 1H:	10/25/13 through 12/24/13	150 MCFGD
	12/25/13 through 02/23/14	70 MCFGD
	02/24/14 through 04/25/14	75 MCFGD
4. On April 21, 2014, EOG received permanent authority from the Oil and Gas Division to flare up to 35 MCFGD of casinghead gas from Cowan 1H.
5. EOG's administrative authority to flare casinghead gas volumes greater than 50 MCFGD from each of the Subject Wells expired on the following days:
 

a. Josey 1HR:	3/16/15
b. Cowan 1H:	4/25/14
6. On March 23, 2015, EOG submitted its hearing request for the Josey 1HR captioned O&G 03-0296053.

7. On March 26, 2015, EOG submitted its hearing request for the Cowan 1H captioned in O&G 06-0296159.
8. Approval of the subject application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32

**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. Legally sufficient notice has been provided to all affected persons.
3. The requested rates and time frames to flare casing-head gas, as described in Finding of Fact No. 1, satisfies the requirements of Title 16 TAC §§3.32.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant exceptions to flare up casing-head gas from the Subject Wells as described in Finding of Fact No. 1 above.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Terry Johnson  
Legal Examiner