



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0301115

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE BOWMAN WEST LEASE (01-17472) EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0301120

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE BOWMAN WEST B LEASE (01-17472) EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0301122

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE KIDD UNIT (01-17033) EAGLEVILLE (EAGLE FORD-1) FIELD, GONZALES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0301121

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE PEVERETT UNIT (01-18212) EAGLEVILLE (EAGLE FORD-1) FIELD, GONZALES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0301119

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE OCELOT A LEASE (01-17597) EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0301118

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE MARY GARY/ GORDON C UNIT (01-17429) EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0301117

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE CALDARKO UNIT (01-17417) EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0301116

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE WATUSI UNIT (01-17986) EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Dana Lewis – Administrative Law Judge

HEARING DATE: September 22, 2016

CONFERENCE DATE: November 15, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

EOG Resources, Inc.

Doug Dashiell
Jeff Perry

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests an exception to Statewide Rule 32 for the Bowman West Lease (01-17472), Bowman West B Lease (01-17472), Kidd Unit (01-17033), Peverett Unit (01-18212), Ocelot A Lease (01-17597), Mary Gary/ Gordon C Unit (01-17429), Caldarko Unit (01-17417), and the Watusi Unit (01-17986), Eagleville (Eagle Ford-1) Field, Atascosa And Gonzales Counties, Texas. For each application, notice was provided to all offsets operators to the tract where the flaring will occur. The applications are unopposed, and the Technical Examiner and the Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide 32 to flare gas for each of the subject leases/units as requested by EOG.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(i) provides for renewal and amendment of exceptions. For the subject

applications, EOG has previously been granted either an administrative exception to Statewide Rule 32 to flare gas, or an exception to Statewide Rule 32 by Commission Final Order. Statewide Rule 32(i) (4) states that if an operator files an application for renewal of an existing exception to the requirements of Statewide Rule 32 at least 21 days before the expiration of the existing exception, and the existing authority expires before the Commission acts on the application, the operator is authorized to continue to operate under the existing authority pending final Commission action on the application. For each of the subject applications, the Commission received a hearing request from EOG on July 11, 2016, prior to the expiration of the previous flaring authority. In each of the eight applications, EOG is requesting to extend the current exception to Statewide Rule 32 for each lease/unit.

EOG was previously granted an exception to Statewide Rule 32 for the Bowman West Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, in Final Order No. 01-0296880, to flare a maximum monthly volume of 3,000 MCF per month from April 1, 2015 to July 31, 2016. Over the past 30 days, the volume of gas flared has ranged from 37 MCF per day to 89 MCF per day. EOG is requesting an extension of the previous flaring authority of 3,000 MCF per month (a daily average of 100 MCF per day), for a period of two years. EOG is requesting flare authority with a maximum monthly volume as opposed to a daily volume to account for the fluctuation in daily gas flared. The nearest sweet market for the subject lease is approximately 1.6 miles away, and the nearest sour market is approximately 6.4 miles away. EOG conducted an economic analysis to connect to the nearest sour gas system, and to treat the gas to tie into the nearest sweet gas system. EOG determined that both options are uneconomic at the present time. Based on current production, gas volumes may be below 50 MCF per day within two years.

EOG was previously granted an exception to Statewide Rule 32 for the Bowman West B Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, in Final Order No. 01-0296972, to flare a maximum monthly volume of 100 MCF per day from May 29, 2015 to July 21, 2016. Over the past 30 days, the volume of gas flared has ranged between 17 and 222 MCF per day. EOG is requesting an extension of the previous flaring authority to flare a maximum of 75 MCF per day for a period of two years. The nearest sweet market for the subject lease is approximately 3.16 miles away. EOG conducted an economic analysis to connect to the nearest sweet gas system and determined this to be uneconomic, based on the volumes of gas produced. With the current production rates, gas volumes may be below 50 MCF per day within two years.

EOG was previously granted an exception to Statewide Rule 32 for the Kidd Unit, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas, administratively, for a period of 180 days. Permit No. 26314 authorized EOG to flare a maximum of 200 MCF per day from March 4, 2016 to September 1, 2016. There are two wells (Kidd Unit Well Nos. 1H and 2H), on the Kidd Unit, and the H₂S content of the gas is 1,100 ppm. Both the Kidd Unit, Well Nos. 1H and 2H are connected to same flare point. Over the past 30 days, the volume of gas flared has ranged from approximately 85 MCF per day to 95 MCF per day. EOG is requesting an extension of the previous flaring authority to flare a

maximum volume of 90 MCF per day for a period of two years. The nearest sour gas system is located more than 20 miles away. EOG conducted an economic analysis to connect to this sour gas system and determined it to be uneconomic at this time based on the volume of gas produced.

EOG was previously granted Flare Permit No. 20769 for the Peverett Unit, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas, to flare a maximum volume of 200 MCF per day from December 20, 2014 to June 19, 2015. The permit was extended to July 31, 2016 in Final Order No. 01-0296970. Over the past 30 to 90 days, flare volumes have ranged from 14 to 106 MCF per day. The Peverett Unit is located approximately 1.6 miles from EOG's nearest gathering system, which is a sweet gathering system. Gas produced on the Peverett Unit is sour gas. There is a sour gathering system operated by Regency located approximately 10 to 11 miles away. EOG conducted an economic analysis to connect to the nearest sour gas system, and to treat the gas to tie into the nearest sweet gas system. EOG concluded that both options are uneconomic at this time. An extension of the current flare permit will allow oil to be produced in commercial quantities. EOG is requesting to flare a maximum of 100 MCF for a period of two years. With the current production, the daily gas volume produced may be below 50 MCF per day within two years.

EOG was previously granted an exception to Statewide Rule 32 for the Ocelot A Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, in Final Order No. 01-0296848, to flare a maximum volume of 100 MCF per day from June 5, 2015 to July 21, 2016. Over the past 60 to 90 days, the volume of gas flared has ranged from 40 MCF per day to 60 MCF per day. EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 60 MCF for a period of one year. The gas produced on the Ocelot A Lease is sour gas, with a H₂S content of the 4,200 ppm. The nearest sweet market for the subject lease is approximately 0.6 miles away, and the nearest sour market is approximately 11 miles away. EOG conducted an economic analysis to connect to the nearest sour gas system, and to treat the gas to tie into the nearest sweet gas system. Both options are uneconomic at this time. With the current production, the daily gas volume may be below 50 MCF per day within a period of one year.

The Mary Gary/Gordon C Unit, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, is a combination of two leases that are connected to a common flare point. The common flare point is located on the Gordon C Unit. EOG was previously granted an exception to Statewide Rule 32 administratively for the Mary Gary/Gordon C Unit to flare a maximum of 200 MCF per day from January 25, 2016 to July 24, 2016 (Permit No. 26066). Over the past several weeks, the volume of gas flared has ranged from approximately 32 MCF per day to 87 MCF per day. EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 2,500 MCF per month (a daily average of approximately 83 MCF), for a period of two years. The Gordon C Unit is currently hooked up to an EOG sweet gas system. However, the Mary/Gary Unit produces sour gas, with a H₂S content of 7,500 ppm. Due to the H₂S concentration, and the relatively low volume of gas produced, it is uneconomic at this time to treat the

gas to be able to get it into the sweet gas system. The nearest sour gas system is located 2.4 miles away. EOG conducted an economic analysis to connect to this sour gas system and determined it to be uneconomic based on the volume of gas produced.

EOG was previously granted an exception to Statewide Rule 32 for the Caldarko Unit, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, for a period of 180 days. Permit No. 26067 authorized EOG to flare a maximum of 200 MCF per day from January 27, 2016 to July 26, 2016. There are two wells, (Caldarko Unit Well Nos. 2H and 6H), connected to the flare point on the Caldarko Unit. Over the past 30 days, the volume of gas flared has ranged from approximately 100 MCF per day to 150 MCF per day. EOG is requesting a permit with a monthly flare volume instead of a daily gas volume due to these fluctuations in daily gas produced from the two wells connected to the flare point. EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 4,500 MCF per month (a daily average of 150 MCF per day) for a period of one year. The Caldarko Unit is currently hooked up to an EOG sweet gas system. However, the gas produced on the Caldarko Unit is sour gas with a H₂S content of 11,000 ppm. Due to the H₂S concentration of 11,000 ppm, it is uneconomic to treat the gas to be able to get it into the sweet gas system at this time. The nearest sour gas system is located 4.01 miles away. EOG does have plans to expand in this area, and intends to build a 12-inch diameter sour gas pipeline in this area. As a result of this planned pipeline construction, EOG is only requesting flaring authority for a period of one year.

EOG was previously granted an exception to Statewide Rule 32 administratively for the Watusi Unit, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, for a period of 180 days. Permit No. 26065 authorized EOG to flare a maximum of 100 MCF per day from February 23, 2016 to August 22, 2016. Over the past several weeks, the volume of gas flared has ranged from approximately 50 MCF per day to 60 MCF per day. EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 60 MCF per day for a period of one year. The Watusi Unit is currently hooked up to an EOG sweet gas system. However, the gas produced on the Watusi Unit is sour gas, with a H₂S content of 1,800 ppm. Due to the H₂S concentration of 1,800 ppm, and the relatively low volume of gas produced, it is uneconomic at this time to treat the gas to be able to get it into the sweet gas system. The nearest sour gas system is located 5.9 miles away. EOG conducted an economic analysis to connect to this sour gas system and determined it to be uneconomic at this time based on the volumes of gas produced.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all offsets operators to the tract where the flaring will occur for each application at least ten days prior to the date of hearing. There were no protests to the applications.

2. EOG has previously been granted either an administrative exception to Statewide Rule 32 to flare gas or an exception to Statewide Rule 32 by Commission Final Order.
 - a. EOG was granted an exception to Statewide Rule 32 for the Bowman West Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, in Final Order No. 01-0296880, to flare a maximum monthly volume of 3,000 MCF per month from April 1, 2015 to July 31, 2016.
 - b. EOG was granted an exception to Statewide Rule 32 for the Bowman West B Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, in Final Order No. 01-0296972, to flare a maximum monthly volume of 100 MCF per day from May 29, 2015 to July 21, 2016.
 - c. EOG was granted an exception to Statewide Rule 32 for the Kidd Unit, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas, administratively. Permit No. 26314 authorized EOG to flare a maximum of 200 MCF per day from March 4, 2016 to September 1, 2016.
 - d. EOG was granted Flare Permit No. 20769 for the Peverett Unit, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas, to flare a maximum volume of 200 MCF per day from December 20, 2014 to June 19, 2015. The permit was extended to July 31, 2016 in Final Order No. 01-0296970.
 - e. EOG was granted an exception to Statewide Rule 32 for the Ocelot A Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, in Final Order No. 01-0296848, to flare a maximum volume of 100 MCF per day from June 5, 2015 to July 21, 2016.
 - f. EOG was administratively granted an exception to Statewide Rule 32 for the Mary Gary/Gordon C Unit to flare a maximum of 200 MCF per day from January 25, 2016 to July 24, 2016 (Permit No. 26066).
 - g. EOG was granted an exception to Statewide Rule 32 for the Caldarko Unit, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas, for a period of 180 days. Permit No. 26067 authorized EOG to flare a maximum of 200 MCF per day from January 27, 2016 to July 26, 2016.
 - h. EOG was administratively granted an exception to Statewide Rule 32 for the Watusi Unit, Eagleville (Eagle Ford-1) Field, Atascosa

County, Texas, for a period of 180 days. Permit No. 26065 authorized EOG to flare a maximum of 100 MCF per day from February 23, 2016 to August 22, 2016.

3. For each application, EOG is requesting an extension of its current exception to Statewide Rule 32 to flare gas.
 - a. For the Bowman West Lease, EOG is requesting an extension of the previous flaring authority of 3,000 MCF per month (a daily average of 100 MCF per day), for a period of two years.
 - i. The nearest sweet market for the subject lease is approximately 1.6 miles away.
 - ii. the nearest sour market is approximately 6.4 miles away.
 - iii. At the present time it is uneconomic to connect to the nearest sour gas system, or to treat the gas to tie into the nearest sweet gas system based on the volumes of gas produced.
 - iv. Current production indicates gas volumes may be below 50 MCF per day within two years.
 - b. For the Bowman West B Lease EOG is requesting an extension of the previous flaring authority to flare a maximum of 75 MCF per day for a period of two years.
 - i. The nearest sweet market for the subject lease is approximately 3.16 miles away. At the present time, it is uneconomic to connect to the nearest sweet gas system based on the volumes of gas produced.
 - ii. Over the past 30 days, volumes of gas flared have ranged between 17 and 222 MCF per day. Based on current production rates, gas volumes may be below 50 MCF per day within two years.
 - c. For the the Kidd Unit, EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 90 MCF per day for a period of two years.
 - i. There are two wells (Kidd Unit Well Nos. 1H and 2H), on the Kidd Unit, and the H₂S content of the gas is 1,100 ppm.
 - ii. Both the Kidd Unit, Well Nos. 1H and 2H are connected to same flare point.

- iii. Over the past 30 days, volumes of gas flared have ranged from approximately 85 MCF per day to 95 MCF per day.
 - iv. The nearest sour gas system is located more than 20 miles away.
 - v. At the present time, it is uneconomic to connect to the nearest sour gas system based on the volume of gas produced.
- d. For the Peverett Unit, EOG is requesting to flare a maximum of 100 MCF for a period of two years.
- i. An extension of the current flare permit will allow oil to be produced in commercial quantities.
 - ii. Gas produced on the Peverett Unit is sour gas.
 - iii. The Peverett Unit is located approximately 1.6 miles from EOG's nearest gathering system, which is a sweet gathering system.
 - iv. A sour gathering system operated by Regency is located approximately 10 to 11 miles away.
 - v. At the present time, it is uneconomic to either connect to the nearest sour gas system or to treat the gas to tie into the nearest sweet gas system, based on the volume of gas produced.
 - vi. Over the past 30 to 90 days, flare volumes have ranged from 14 to 106 MCF per day. Based on current production, the daily gas volume produced may be below 50 MCF per day within two years.
- e. For the Ocelot A Lease EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 60 MCF for a period of one year.
- i. The gas produced on the Ocelot A Lease is sour gas, with a H₂S content of the 4,200 ppm.
 - ii. The nearest sweet market for the subject lease is approximately 0.6 miles away, and the nearest sour market is approximately 11 miles away.
 - iii. At this time it is uneconomic to either connect to the nearest sour gas system or to treat the gas to tie into the nearest sweet gas system, based on the volume of gas produced.

- iv. Over the past 60 to 90 days, the volume of gas flared has ranged from 40 MCF per day to 60 MCF per day.
 - v. Based on current production, the daily gas volume may be below 50 MCF per day within a period of one year.
- f. For the Mary Gary/Gordon C Unit, EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 2,500 MCF per month (a daily average of approximately 83 MCF) for a period of two years.
- i. The Mary Gary/Gordon C Unit is a combination of two leases that are connected to a common flare point. The common flare point is located on the Gordon C Unit.
 - ii. The Gordon C Unit is currently hooked up to an EOG sweet gas system.
 - iii. The gas produced on the Mary/Gary Unit is sour gas, with a H₂S content of 7,500 ppm.
 - iv. Over the past several weeks, the volume of gas flared has ranged from approximately 32 MCF per day to 87 MCF per day.
 - v. At this time it is uneconomic to treat the gas to be able to get it into the sweet gas system due to the H₂S concentration and the relatively low volume of gas produced.
 - vi. The nearest sour gas system is located 2.4 miles away.
 - vii. At the present time it is uneconomic to connect to the nearest sour gas system based on the volume of gas produced.
- g. For the Caldarko Unit EOG is requesting an extension of the previous flaring authority to flare a maximum volume of 4,500 MCF per month (a daily average of 150 MCF per day) for a period of one year.
- i. There are two wells, (Caldarko Unit Well Nos. 2H and 6H), connected to the flare point on the Caldarko Unit.
 - ii. EOG is requesting a permit with a monthly flare volume instead of a daily gas volume due to these fluctuations in daily gas produced from the two wells connected to the flare point.
 - iii. The gas produced on the Caldarko Unit is sour gas with a H₂S content of 11,000 ppm.

- iv. The Caldarko Unit is currently hooked up to an EOG sweet gas system. However, due to the H₂S concentration of 11,000 ppm, it is uneconomic to treat the gas to be able to get it into the sweet gas system at this time.
 - v. The nearest sour gas system is located 4.01 miles away.
 - vi. EOG plans to expand in this area, and intends to build a 12-inch diameter sour gas pipeline.
 - vii. As a result of planned pipeline construction, EOG is only requesting flaring authority for a period of one year.
 - viii. Over the past 30 days, the volume of gas flared has ranged from approximately 100 MCF per day to 150 MCF per day.
- h. EOG is requesting an extension of the previous flaring authority for the Watusi Unit to flare a maximum volume of 60 MCF per day for a period of one year.
- i. The Watusi Unit is currently hooked up to an EOG sweet gas system.
 - ii. The gas produced on the Watusi Unit is sour gas, with a H₂S content of 1,800 ppm.
 - iii. Over the past several weeks, the volume of gas flared has ranged from approximately 50 MCF per day to 60 MCF per day.
 - iv. Due to the H₂S concentration of 1,800 ppm and the relatively low volume of gas produced, it is uneconomic to treat the gas to be able to get it into the sweet gas system.
 - v. The nearest sour gas system is located 5.9 miles away.
 - vi. It is uneconomic to connect to the nearest sour gas system based on the volumes of gas produced.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.

2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Title 16, Texas Administrative Code 3.32(i) provides for the renewal and amendment of exceptions.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the request by EOG for an exception to Statewide Rule 32 for the Bowman West Lease (01-17472), Bowman West B Lease (01-17472), Kidd Unit (01-17033), Peverett Unit (01-18212), Ocelot A Lease (01-17597), Mary Gary/ Gordon C Unit (01-17429), Caldarko Unit (01-17417), and the Watusi Unit (01-17986), Eagleville (Eagle Ford-1) Field, Atascosa and Gonzales Counties, Texas.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Dana Lewis
Administrative Law Judge