



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0298876

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR A FLARE GAS PERMIT FOR THE CHACHALACA UNIT (PERMIT NO. 23091), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0298877

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR A FLARE GAS PERMIT FOR THE LECHWE UNIT (PERMIT NO. 23028), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0298878

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR A FLARE GAS PERMIT FOR THE PAWELEK MOY UNIT (PERMIT NO. 22092), EAGLEVILLE (EAGLE FORD-1) FIELD, WILSON COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0298896

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR A FLARE GAS PERMIT FOR THE SHIRE FACILITY (PERMIT NO. 22094), EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

SUBMITTED BY: Peggy Laird, P.G. – Technical Examiner
Ryan M. Lammert – Administrative Law Judge

HEARING DATE: January 21, 2016

CONFERENCE DATE: December 6, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell EOG Resources, Inc.
Jeff Perry

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests an exception to Statewide Rule 32 to flare casinghead gas at three flare points from wells completed on four leases. The casinghead gas is produced from wells completed in the Eagleville (Eagle Ford-1) Field in Atascosa, Wilson, and McMullen Counties, Texas. Notice was provided to offset operators in the field surrounding the flare points and no protests were received. The captioned dockets were consolidated for this hearing. The applications are unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide 32 to flare casinghead gas for each of the four applications.

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(h) provides that an exception to flare natural gas in volumes greater than 50 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. For each of the subject applications, EOG has been granted permits to flare casinghead gas that will be expiring. EOG is requesting an exception to Statewide 32 to flare casinghead gas for an additional period of time for each application.

The subject leases in this application are completed in the Eagle Ford Formation in South Texas. Gas produced from these leases is sour and requires treatment to remove hydrogen sulfide. At the hearing, EOG presented information and testimony for all four leases. What follows is a summary of EOG's presentation presented by lease and docket number.

Chachalaca Unit (Docket No. 01-0298876) & Lechwe Unit (Docket No. 01-0298877)

These two Units are offset wells, each with individual flaring permits, which use the same flare point. EOG received administrative authority (Permit No. 23091) to flare 250 thousand cubic feet per day (MCFD) from June 28, 2015, to September 26, 2015,

from the Chachalaca Unit. They continued this administrative authority to flare 100 MCFD from September 27, 2015, to December 26, 2015. EOG received administrative authority (Permit No. 23028) to flare 250 MCFD from June 28, 2015, to September 26, 2015, from the Lechwe Unit. They continued this administrative authority to flare 100 MCFD from September 27, 2015, to December 26, 2015.

EOG's requests for a hearing to extend the flaring authority for both permits were received on November 10, 2015. The request for a hearing allows the permit to remain in effect beyond the expiration, pending outcome of the hearing. EOG is requesting authority to flare up to 80 MCFD from December 26, 2015, to December 26, 2016, for the Chachalaca Unit, and to flare up to 80 MCFD from December 26, 2015, to December 26, 2016, for the Lechwe Unit.

EOG presented data that demonstrated the cost of treating the sour gas for using sweet pipelines is not economical at current product prices. EOG anticipates a decline in the production rate of the wells that will further impact the economics of treating the sour gas. EOG reported the installation and connection of a sour gas pipeline would be cost prohibitive because of the distance to the nearest existing pipeline. Therefore, EOG does not sell any of the sour gas from the Chachalaca Unit or Lechwe Unit because it is not economically feasible at current market conditions.

Pawelek Moy Unit (Docket No. 01-0298878)

There are four wells connected to a single flare point for the Pawelek Moy Unit. EOG received administrative authority (Permit No. 22092) to flare 100 MCFD from March 22, 2015, to September 20, 2015, from the Unit. EOG's request for a hearing to extend the flaring authority was received on November 10, 2015, after the permit's expiration date of September 20, 2015. The request for a hearing allows the permit to remain in effect beyond the expiration, pending outcome of the hearing. EOG is requesting authority to flare up to 100 MCFD from November 10, 2015, to November 10, 2016, for the Pawelek Moy Unit.

EOG presented data that demonstrated the cost of treating the sour gas for using sweet pipelines is not economical at current product prices. EOG anticipates a decline in the production rate of the wells that will further impact the economics of treating the sour gas. EOG reported the installation and connection of a sour gas pipeline would be cost prohibitive because of the distance to the nearest existing pipeline. Therefore, EOG does not sell any of the sour gas from the Pawelek Moy Unit because it is not economically feasible at current market conditions.

Shire Unit (Docket No. 01-0298896)

There are five wells connected to a single flare point for the Shire Unit. EOG received administrative authority (Permit No. 22094) to flare 3,000 MCFD from April 15, 2015, to June 14, 2015, and 5,000 MCFD from June 15, 2015, to October 13, 2015, from the Unit. EOG's request for a hearing to extend the flaring authority was received

on October 1, 2015. The request for a hearing allows the permit to remain in effect beyond the expiration, pending outcome of the hearing. EOG is requesting authority to flare 5,000 MCFD from October 13, 2015, to October 13, 2016, for the Shire Unit.

EOG is connected to a sour pipeline operated by Regency, and sells all the gas to Regency. There are operational problems which may create intermittent unscheduled downtime of the system. EOG is unable to utilize the Regency line during these downtimes. EOG presented data that demonstrated the cost of treating the sour gas for using sweet pipelines is not economical at current product prices. EOG anticipates a decline in the production rate of the wells that will further impact the economics of treating the sour gas.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing. There were no protests to the applications.
2. EOG is requesting to flare casinghead gas produced from wells completed in the Eagleville (Eagle Ford-1) Field in Atascosa, Wilson, and McMullen Counties, Texas.
3. The subject leases in this application produce sour gas which requires treatment to remove hydrogen sulfide.
4. The subject leases in this application are completed in the Eagle Ford Formation, which have limited infrastructure for sour gas gathering, processing and transmission.
5. EOG is requesting a one-year exception to Statewide Rule 32 for each of the leases.

CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051.
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32.
3. The requested exception to flare casinghead gas meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h).

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 for the subject flare points, as requested by EOG Resources, Inc.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Ryan M. Lammert
Administrative Law Judge

