



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0302478

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THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE FOR THE VOSS UNIT (02-10674), EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

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OIL AND GAS DOCKET NO. 01-0302150

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THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE STONE UNIT (01-18460), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

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OIL AND GAS DOCKET NO. 02-0302477

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THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LEE UNIT (02-10893), EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

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OIL AND GAS DOCKET NO. 01-0302470

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THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE DESOTO UNIT (01-17367), EAGLEVILLE (EAGLE FORD-1) FIELD, GONZALES COUNTY, TEXAS

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OIL AND GAS DOCKET NO. 01-0302469

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THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BRITE LEG UNIT (01-17207), EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

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OIL AND GAS DOCKET NO. 01-0302476

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THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE WHITE LEASE (01-16250), EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

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HEARD BY: Peggy Laird, P.G. – Technical Examiner  
Marshall Enquist – Hearings Examiner

HEARING DATE: December 20, 2016

**CONFERENCE DATE:** April 4, 2017

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:**

Doug Dashiell                      EOG Resources, Inc.  
Jeff Perry

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

EOG Resources, Inc. ("EOG") requests exceptions to Statewide Rule 32 to flare casinghead gas from six leases in the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields in Atascosa, McMullen, Karnes, La Salle, and Gonzales Counties, Texas. Notice was provided to offset operators in the fields 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 six 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. All leases have experienced operational problems because of limited transmission system availability and pressure differences within gathering systems. At the hearing, EOG presented information and testimony for all six leases. A summary of EOG's presentation presented by lease and docket number follows.

**Voss Unit (Docket No. 02-0302478)**

There is one well connected to a single flare point for the Voss Unit. EOG received administrative authority (Permit No. 27452) to flare up to 100 thousand cubic feet of casinghead gas per day ("MCFD") from June 1, 2016 to November 29, 2016, from the Unit. EOG's request for a hearing to extend the flaring authority was received on November 7, 2016. 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 60 MCFD from November 29, 2016 through November 29, 2018, for the Voss Unit.

EOG presented data that demonstrated the cost of treating the sour gas 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 also 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 Voss Unit because it is not economically feasible at current market conditions.

#### **Stone Unit (Docket No. 01-0302150)**

There is one well connected to a single flare point for the Stone Unit. EOG received administrative authority (Permit No. 26309) to flare 150 MCFD from February 13, 2016 to August 12, 2016, from the Unit. EOG's request for a hearing to extend the flaring authority was received on October 13, 2016. The request for a hearing allows the permit to remain in effect beyond the expiration, pending outcome of the hearing. EOG stated they thought that continuing the permit to flare would not be necessary due to the low volume of casinghead gas. However, the volume increased after the permit had expired, and EOG subsequently submitted the request for a hearing. EOG is requesting authority to flare up to 90 MCFD from October 13, 2016 through October 13, 2018, for the Stone Unit.

EOG presented a similar economic analysis that demonstrated the cost of treating the sour gas for using sweet pipelines is not economical at current product prices. EOG also reported the installation and connection of a sour gas pipeline would be cost prohibitive. Therefore, EOG does not sell any of the sour gas from the Stone Unit because it is not economically feasible at current market conditions.

#### **Lee Unit (Docket No. 02-0302477)**

There is one well connected to a single flare point for the Lee Unit. EOG received authority by Final Order 01-0294925 (Permit No. 19046) to flare 450 MCFD from January 24, 2015 through January 24, 2017, from the Unit. EOG's request for a hearing to extend the flaring authority was received on November 7, 2016. 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 75 MCFD from January 24, 2017 through January 24, 2019, for the Lee Unit.

EOG presented a similar economic analysis that demonstrated the cost of treating the sour gas for using sweet pipelines is not economical at current product prices. EOG also reported the installation and connection of a sour gas pipeline would be cost prohibitive. Therefore, EOG does not sell any of the sour gas from the Lee Unit because it is not economically feasible at current market conditions.

#### **Desoto Unit (Docket No. 01-0302470)**

There is one well connected to a single flare point for the Desoto Unit. EOG received administrative authority (Permit No. 27375) to flare up to 500 MCFD from June 14, 2016 through December 12, 2016, from the Unit. EOG's request for a hearing to extend the flaring authority was received on November 7, 2016. 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 150 MCFD from December 12, 2016 through December 12, 2018, for the Desoto Unit.

EOG presented a similar economic analysis that demonstrated the cost of treating the sour gas for using sweet pipelines is not economical at current product prices. EOG also reported the installation and connection of a sour gas pipeline would be cost prohibitive. Therefore, EOG does not sell any of the sour gas from the Desoto Unit because it is not economically feasible at current market conditions.

#### **Brite Leg Unit (Docket No. 01-0302469)**

There are three wells connected to a single flare point for the Brite Leg Unit. EOG received authority by Final Order 01-0294926 (Permit No. 14823) to flare up to 500 MCFD from December 24, 2014 through December 24, 2016, from the Unit. EOG's request for a hearing to extend the flaring authority was received on November 7, 2016. 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 300 MCFD from December 24, 2016 through December 24, 2018, for the Brite Leg Unit.

EOG stated that the Unit is connected to Regency's sour gas pipeline. There are downstream reliability and pressure issues with the current gathering system. EOG is in the process of changing gathering systems for this Unit to minimize flaring, and expects the change to be completed by June of 2017. EOG sells the gas whenever possible, but needs to flare when operational issues occur.

#### **White Lease (Docket No. 01-0302476)**

There are six wells connected to a single flare point for the White Lease. EOG received authority by Final Order 01-0294995 (Permit No. 14279) to flare up to 133 MCFD from January 8, 2015 through January 8, 2017, from the Unit. EOG's request for a hearing to extend the flaring authority was received on November 7, 2016. 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 3 MMCF per month from January 8, 2017 through January 8, 2019, for the White Lease.

EOG reported that one of the wells on the lease, the White #22H, is sour. Some of sour gas from Well #22H is blended with the gas from the sweet wells on the lease. The blending is a method to reduce the hydrogen sulfide concentration in the gas to less than 100 parts per million. The volume of sour gas that remains after blending is sent to the Regency sour gas pipeline for sales. The Regency pipeline experiences pressure and operational issues at times. EOG sells the gas whenever possible, but needs to flare when operational issues occur.

#### **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 six leases in the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields in Atascosa, McMullen, Karnes, La Salle, and Gonzales Counties, Texas.

3. The subject leases in these applications 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 two-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 exceptions 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 the exceptions to Statewide Rule 32 for the subject flare points, as requested by EOG Resources, Inc.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Marshall Enquist  
Administrative Law Judge