



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0306820

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

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OIL & GAS DOCKET NO. 01-0306821

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THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BILBO/FRODO UNIT FACILITY, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

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**HEARD BY:** Peggy Laird, P.G. – Technical Examiner  
Clayton Hoover – Administrative Law Judge

**HEARING DATE:** October 24, 2017

**CONFERENCE DATE:** January 23, 2018

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Doug Dashiell  
Jeremy Montanez

EOG Resources, Inc.

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

EOG Resources ("EOG") seeks an exception to 16 Tex. Admin. Code §3.32 (Statewide Rule 32) to flare casinghead gas from two leases in the Eagleville (Eagle Ford-1) Field in Atascosa and McMullen 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 two 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. EOG seeks relief in the captioned docket 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 an exception for more than 180 days and to flare more than 50 mcf of casinghead 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.

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. The leases have experienced operational problems because of limited transmission system availability and pressure differences within gathering systems.

Mr. Jeremy Montanez, Senior Regulatory Administrator, testified and presented information for the applications on behalf of EOG. A summary of EOG's presentation presented by lease and docket number follows.

#### **Kodiak Unit Lease (Docket No. 01-0306820)**

EOG received administrative authority (Permit No. 29647), to flare up to 200 MCF of casinghead gas per day ("MCFD") from March 16, 2017 through September 13, 2017, from the Kodiak Unit. EOG requested a hearing to extend the flaring authority on September 13, 2017. The request for a hearing allows the permit to remain in effect beyond the expiration. EOG is requesting authority to flare up to 100 MCFD from one flare point for two years from September 13, 2017 through September 13, 2019, at the Kodiak Unit Lease.

The Kodiak Unit has one well, No. 3H (API No. 42-013-34635), and produced roughly 63 MCFD for the most recent production month. The well produces gas with hydrogen sulfide (H<sub>2</sub>S) concentration of 4,000 parts per million (ppm). Mr. Montanez testified that the closest sweet pipeline is about two miles from the Kodiak Unit, and reported an estimated net loss of \$87 per day to treat the sour gas to acceptable levels for the sweet pipeline. Thus, the cost to remove H<sub>2</sub>S from the Kodiak Unit's casinghead gas to meet the sweet pipeline quality standards is too great. Similarly, the nearest sour gas pipeline is over eight miles from the Kodiak Unit, and an estimated net loss of \$1,440,000 would be incurred to install a connecting pipeline.

### **Bilbo/Frodo Unit Facility (Docket No. 01-0306821)**

By Final Order (Oil & Gas Docket No. 01-0299701, issued on April 12, 2016), EOG obtained an exception to flare up to 1,000 MCFD from March 31, 2016 through September 29, 2017, from the Bilbo/Frodo Unit Facility. EOG requested a hearing to extend the flaring authority on September 13, 2017. The request for a hearing allows the permit to remain in effect beyond the expiration. EOG is requesting authority to flare up to 800 MCFD from one flare point for two years from September 30, 2017 through September 30, 2019, at the Bilbo/Frodo Unit Facility.

The surface facility at the Bilbo/Frodo Unit manages production from two wells, the Bilbo Unit Well No. 1H (API No. 42-311-36288) and the Frodo Unit Well No. 1H (API No. 42-311-35902). Mr. Montanez reported that the 180-day average combined gas flow rate for the Bilbo/Frodo Unit is about 700 MCFD. All gas has been moved from Regency's high-pressure system and is now converted over and tied into a low pressure gathering system operated by Williams. The low pressure gathering line is a sour gas line permitted up to 20,000 ppm H<sub>2</sub>S. The Bilbo/Frodo Unit produces sour casinghead gas at concentrations of 11,000 ppm of H<sub>2</sub>S. No flaring has occurred since the conversion to the Williams gathering system. EOG's flaring request is necessary only for unforeseen operational problems with Williams or Regency lines.

### **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. There were no protests to the application.
2. EOG received administrative authority (Permit No. 29647), to flare up to 200 MCFD from March 16, 2017 through September 13, 2017, from the Kodiak Unit Lease.
3. By Final Order (Oil & Gas Docket No. 01-0299701, issued on April 12, 2016), EOG obtained an exception to flare up to 1,000 MCFD from March 31, 2016 through September 29, 2017, from the Bilbo/Frodo Unit Facility.
4. EOG requested a hearing to extend the flaring authority for both leases on September 13, 2017.

5. The oil production from wells in the area is associated with casinghead gas that contains high volumes of H<sub>2</sub>S.
6. EOG provided evidence that the cost to bring sour gas produced from the Kodiak Unit to market is uneconomical.
7. There has been no flaring of gas produced at the Bilbo/Frodo Unit Facility since it was connected to a low pressure gathering system operated by Williams.
8. EOG's flaring request for the Bilbo/Frodo Unit Facility is necessary for unforeseen operational problems with the gathering system.
9. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

### **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. All notice requirements have been satisfied. 16 Tex. Admin. Code §§ 1.42.
3. The requested authority to flare casinghead gas satisfies the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32 (h).
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on January 23, 2018.

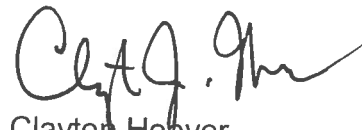
### **EXAMINERS' RECOMMENDATION**

The Examiners recommend approval of the application of EOG Resources, Inc. for an exception to Statewide Rule 32 for the Kodiak Unit and Bilbo/Frodo Unit Facility Leases, in the Eagleville (Eagle Ford-1) Field, Atascosa and McMullen Counties, Texas.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Clayton Hobver  
Administrative Law Judge