



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0308346

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

OIL AND GAS DOCKET NO. 01-0308735

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

OIL AND GAS DOCKET NO. 01-0308823

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE DVR/MESQUITE FACILITY, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS.

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: February 21, 2018

CONFERENCE DATE: April 10, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT:

Doug Dashiell EOG Resources, Inc.
Jeremy Montanez

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests exceptions to Statewide Rule 32 to flare casinghead gas in the Eagleville (Eagle Ford-1) Field in Atascosa County, 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

unprotested and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend granting an exception to Statewide 32 to flare casinghead gas for each of the three 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 these applications are completed in the Eagle Ford Formation in South Texas. Gas produced from these leases is sour and requires treatment to remove the hydrogen sulfide ("H₂S"). All leases have experienced operational problems because of limited transmission system availability. A summary of EOG's presentation presented by lease and docket number follows.

Lechwe/Chachalaca Unit Facility (Docket No. 01-0308346)

By Final Order No. 01-0302998, EOG received authority (Permit No. 23028) to flare up to 160 thousand cubic feet per day ("MCFD") from December 27, 2016 through December 27, 2017, from the Lechwe/Chachalaca Unit Facility. EOG requested a hearing to extend the flaring authority on December 13, 2017. The request for a hearing allows the permit to remain in effect beyond the expiration.

This facility has two wells that utilize the same single flare, and the streams may be combined at the flare. Over time, the H₂S concentration has increased to 4,500 parts per million ("ppm"). EOG presented data that demonstrated the cost of treating the sour gas, prior to connecting to the nearest sweet pipeline, is not economical based upon current product prices and the volume of gas produced. EOG anticipates a decline in the production rate of the wells that will further impact the economics of treating the sour gas. The nearest sour gas pipeline is over nine miles from the Lechwe/Chachalaca Unit Facility. EOG provided evidence that the cost to construct pipeline facilities to bring the gas to market is uneconomical. Therefore, EOG is requesting authority to flare up to 100 MCFD from December 28, 2017 through December 27, 2019, for the combined stream from the Lechwe/Chachalaca Unit Facility.

Ocelot Facility (Docket No. 01-0308735)

The Ocelot Facility's need to flare is sporadic and occurs a few days per month, as reflected in their permit history. EOG initially received administrative authority (Permit No. 20465) to flare up to 1,500 MCFD from the Ocelot Facility from October 1, 2014 through January 31, 2015. Flaring authority for the same volume was reinstated February 27, 2015 through March 28, 2016. On March 29, 2016, the authority was revised for a volume of 889 MCFD and continued through December 31, 2016. Flaring authority was continued from January 1, 2017 through December 31, 2017, for up to 1,000 MCFD. Based on production history, flaring has occurred at the Ocelot Facility for a total of 132 days. EOG submitted their request for a hearing to extend the flaring authority on January 9, 2018, nine days after the expiration date of December 31, 2017. EOG noted they had not used all the 180-day administrative authority as of December 31, 2017.

The Ocelot Facility has one well that produces low volumes of casinghead gas with H₂S concentration of 4,200 ppm. The cost of treating the sour gas, prior to connecting to the nearest sweet pipeline, is not economical based upon current product prices and the limited volume of gas produced. The nearest sour gas pipeline is 4.5 miles from the Ocelot Facility. EOG provided evidence that the cost to construct pipeline facilities to bring the gas to market is uneconomical. Therefore, EOG is requesting authority to flare up to 3,000 MCF per month (100 MCFD) from the Ocelot Facility from January 9, 2018 through January 8, 2020.

DVR/Mesquite Facility (Docket No. 01-0308823)

EOG received administrative authority (Permit No. 31381) to flare up to 75 MCFD from the DVR/Mesquite Facility from August 1, 2017 through January 29, 2018. On January 19, 2018, EOG requested a hearing to obtain continued authority to flare gas from the DVR/Mesquite Facility. The request for a hearing allows the permit to remain in effect beyond the expiration.

The DVR/Mesquite Facility has four wells that utilize the same single flare, and the streams may be combined at the flare. EOG reported the daily volumes flared will vary, and the average volume flared is about 51 MCFD. The combined H₂S concentration from the four wells is 2,700 ppm. EOG anticipates the concentration of H₂S to increase, while the volume of gas is expected to decrease. The cost of treating the sour gas, prior to connecting to the nearest sweet pipeline, is not economical based upon current product prices and the limited volume of gas produced. The nearest sour gas pipeline is over five miles from the DVR/Mesquite Facility. EOG provided evidence that the cost to construct pipeline facilities to bring the gas to market is uneconomical. Therefore, EOG is requesting authority to flare up to 60 MCFD from the DVR/Mesquite Facility from January 30, 2018 through January 29, 2020.

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 leases in the Eagleville (Eagle Ford-1) Field in Atascosa County, 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, and have limited infrastructure for sour gas gathering, processing and transmission.
5. EOG is requesting the following authority:
 - a. to flare up to 100 MCFD from December 28, 2017 through December 27, 2019, for the combined stream from the Lechwe/Chachalaca Unit Facility;
 - b. to flare up to 3,000 MCF per month (100 MCFD) from the Ocelot Facility from January 9, 2018 through January 8, 2020; and
 - c. to flare up to 60 MCFD from the DVR/Mesquite Facility from January 30, 2018 through January 29, 2020.
6. 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 April 10, 2018.

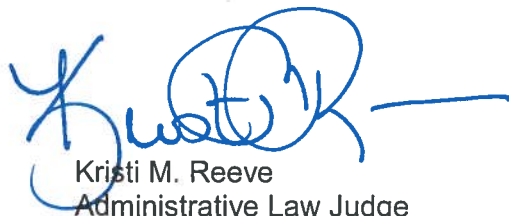
EXAMINERS' RECOMMENDATION

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



Kristi M. Reeve
Administrative Law Judge