

CHRISTI CRADDICK, *CHAIRMAN*  
RYAN SITTON, *COMMISSIONER*  
WAYNE CHRISTIAN, *COMMISSIONER*



RANDALL D. COLLINS, *DIRECTOR*

## RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

**OIL AND GAS DOCKET No. 02-0310135**

THE APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE GIBBS UNIT (09728) LEASE, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

**OIL AND GAS DOCKET No. 01-0310136**

THE APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HUNDLEY B UNIT (15248) LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD, McMULLEN COUNTY, TEXAS

**OIL AND GAS DOCKET No. 01-0310137**

THE APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SPRADLIN UNIT (16797) LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD, GONZALES COUNTY, TEXAS

**OIL AND GAS DOCKET No. 02-0310138**

THE APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LYSSY UNIT (09513) LEASE, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

**OIL AND GAS DOCKET No. 01-0310139**

THE APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SHOVELER/MERGANSER UNIT (17981/17984) LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

**HEARD BY:** Karl Caldwell – Technical Examiner  
Clayton Hoover – Administrative Law Judge

**HEARING DATE:** June 3, 2018  
**CONFERENCE DATE:** August 21, 2018

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

**APPLICANT:**

Doug Dashiell,  
Jeremy Montanez

EOG Resources, Inc.

**EXAMINERS' REPORT AND RECOMMENDATION****STATEMENT OF THE CASE**

EOG Resources, Inc. (EOG) seeks exception renewals for its current Statewide Rule 32 exceptions for the following leases:

- 1) Gibbs Unit (09728), Eagleville (Eagle Ford-2) Field, Karnes County, Texas.
- 2) Hundley B Unit (15248), Eagleville (Eagle Ford-1) Field, McMullen County, Texas.
- 3) Spradlin Unit (16797), Eagleville (Eagle Ford-1) Field, Gonzales County, Texas.
- 4) Lyssy Unit (09513), Eagleville (Eagle Ford-2) Field, Karnes County, Texas.
- 5) Shoveler/Merganser Unit (17981/17984), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.

For each application, EOG is requesting an extension of its current Statewide Rule 32 exception. Notice of each application was provided to all offset operators. The applications are unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the 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(j) Opportunity for hearing states that an operator may request a hearing on any application for an exception, or exception renewal required by this section. On March 19, 2018 the Commission received a hearing request from EOG to extend the current Statewide Rule 32 exception for the Gibbs Unit (09728), Hundley B Unit (15248), Spradlin Unit (16797), Lyssy Unit (09513), and the Shoveler/Merganser Unit (17981/17984).

**Gibbs Unit (09728), Eagleville (Eagle Ford-2) Field, Karnes County**

EOG seeks a Statewide Rule 32 exception renewal for the Gibbs Unit (09728), Eagleville (Eagle Ford-2) Field, Karnes County, Texas. EOG's current permit (Permit No. 31870) authorizes EOG to flare a maximum of 250 Mcfd, effective September 21, 2017 to March 21, 2018. The subject lease produces sour gas, with a H<sub>2</sub>S concentration of about 2,800 ppm. The subject lease is tied into a sour pipeline and EOG is about to start selling the gas. EOG is requesting to extend current flaring permit until EOG is able to install an UltraFab device used to treat the sour gas. The UltraFab unit is effective at the H<sub>2</sub>S levels of the sour gas produced at this location. EOG is requesting a Statewide Rule

32 exception renewal for the Gibbs Unit from the end of previous permit (March 21, 2018), through August 1, 2018 to flare a maximum of 125 Mcfd.

**Hundley B Unit (15248), Eagleville (Eagle Ford-1) Field, McMullen County**

EOG seeks a Statewide Rule 32 exception renewal for the Hundley B Unit (15248), Eagleville (Eagle Ford-1) Field, McMullen County, Texas. EOG was previously granted an exception to Statewide Rule 32 in Final Order No. 01-0300284 to flare a maximum of 150 Mcfd, effective May 1, 2016 to April 30, 2018. The subject Unit is not connected to a pipeline. The straight-line distance to the closest sour line pipeline is 1.59 miles, while the nearest sweet line is 8 miles away. The volume of casinghead gas flared has averaged 55 Mcfd, with a daily maximum of around 60 Mcfd. Based on current production, it is uneconomic to connect to the nearest pipeline to market the gas. EOG is requesting a Statewide Rule 32 exception renewal for a period of two years, to flare a maximum of 60 Mcfd.

**Spradlin Unit (16797), Eagleville (Eagle Ford-1) Field, Gonzales County**

EOG seeks a Statewide Rule 32 exception renewal for the Spradlin Unit (16797), Eagleville (Eagle Ford-1) Field, Gonzales County, Texas. EOG was granted an exception to Statewide Rule 32 in Final Order No. 01-0301695 to flare a maximum of 80 Mcfd, effective May 13, 2016 to May 12, 2018. The subject lease produces sour gas, with an H<sub>2</sub>S concentration ranging between 280 ppm and 600 ppm. A flow line is tied into the facility which is tied into a sweet gas line. EOG plans to start treating and selling the gas and is moving an UltraFab to this location to treat the sour gas to a level that meets the pipeline specifications. EOG is requesting to extend current flaring permit until EOG is able to install an UltraFab device used to treat the sour gas. EOG is requesting a Statewide Rule 32 exception renewal for the Spradlin Unit from the end of previous permit (May 12, 2018) to September 1, 2018 to flare a maximum of 75 Mcfd.

**Lyssy Unit (09513), Eagleville (Eagle Ford-2) Field, Karnes County**

EOG seeks a Statewide Rule 32 exception renewal for the Lyssy Unit, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas. EOG was granted an exception to Statewide Rule 32 in Final Order No. 02-0300426, effective April 29, 2016 to April 28, 2018, to flare a maximum of 100 Mcfd. Wells on the subject lease produce sour casinghead gas, with a combined gas rate from the three wells on the lease of 50 Mcfd. Based on the low gas rate and the presence of H<sub>2</sub>S, it is uneconomic to treat the gas to meet the pipeline specifications. EOG is requesting a Statewide Rule 32 exception renewal for the Spradlin Unit from the end of previous permit (April 28, 2018) through April 27, 2020 to flare a maximum of 60 Mcfd.

**Shoveler/Merganser Unit (17981/17984), Eagleville (Eagle Ford-1) Field, Atascosa County**

EOG seeks a Statewide Rule 32 exception renewal for the Shoveler/Merganser Unit (17981/17984), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas. EOG was granted an exception to Statewide Rule 32 in Final Order No. 01-0299700, effective March 25, 2016 to March 25, 2018 to flare a maximum of 170 Mcfd. There are two wells on the Shoveler/Merganser Unit in which the casinghead gas goes to a single flare point. The initial Form H-9 filed shows a H<sub>2</sub>S concentration of 8,000 ppm. EOG's witness testified that the H<sub>2</sub>S concentration in the gas is now in excess of 25,000 ppm. The total gas produced from the Shoveler/Merganser Unit approaches 100 Mcfd. Based on the low volume of gas produced and the high H<sub>2</sub>S concentration, it is uneconomic to treat the sour gas to pipeline specifications, as the treatment cost is estimated to be a net loss of \$700/day. EOG is requesting a Statewide Rule 32 exception renewal for the Shoveler/Merganser Unit from the end of previous permit (March 25, 2018) through March 24, 2020 to flare a maximum of 85 Mcfd.

For each application, EOG agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), these Final Orders shall be final and effective on the date a Master Order relating to these Final Orders is signed.

**FINDINGS OF FACT**

1. Notice of these applications and notice of hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the applications.
2. EOG seeks Statewide Rule 32 exception renewals for the following:
  - a. Gibbs Unit (09728) Lease, Eagleville (Eagle Ford-2) Field, Karnes County, Texas.
  - b. Hundley B Unit (15248) Lease, Eagleville (Eagle Ford-1) Field, McMullen County, Texas.
  - c. Spradlin Unit (16797) Lease, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas.
  - d. Lyssy Unit (09513) Lease, Eagleville (Eagle Ford-2) Field, Karnes County, Texas.
  - e. Shoveler/Merganser Unit (17981/17984) Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.

3. EOG seeks a Statewide Rule 32 exception renewal for the Gibbs Unit (09728), Eagleville (Eagle Ford-2) Field, Karnes County, Texas.
  - a. EOG's current permit (Permit No. 31870) authorizes EOG to flare a maximum of 250 Mcfd, effective September 21, 2017 to March 21, 2018.
  - b. The Commission received a hearing request from EOG to extend the current Statewide Rule 32 exception on March 19, 2018.
  - c. The subject lease produces sour gas, with a H<sub>2</sub>S concentration of about 2,800 ppm.
  - d. The subject lease is tied into a sour pipeline and EOG is about to start selling the gas.
  - e. EOG is requesting to extend current flaring permit until EOG is able to install an UltraFab device used to treat the sour gas. The UltraFab unit is effective at the H<sub>2</sub>S levels of the sour gas produced at this location.
  - f. EOG is requesting a Statewide Rule 32 exception renewal for the Gibbs Unit from the end of previous permit (March 21, 2018), through August 1, 2018 to flare a maximum of 125 Mcfd.
  
4. EOG seeks a Statewide Rule 32 exception renewal for the Hundley B Unit (15248), Eagleville (Eagle Ford-1) Field, McMullen County, Texas.
  - a. EOG was previously granted an exception to Statewide Rule 32 in Final Order No. 01-0300284 to flare a maximum of 150 Mcfd, effective May 1, 2016 to April 30, 2018.
  - b. The Commission received a hearing request from EOG to extend the current Statewide Rule 32 exception on March 19, 2018.
  - c. The subject Unit is not connected to a pipeline. The straight-line distance to the closest sour line pipeline is 1.59 miles, while the nearest sweet line is 8 miles away.
  - d. The volume of casinghead gas flared has averaged 55 Mcfd, with a daily maximum of around 60 Mcfd. Based on current production, it is uneconomic to connect to the nearest pipeline to market the gas.
  - e. EOG is requesting a Statewide Rule 32 exception renewal for a period of two years, to flare a maximum of 60 Mcfd.

5. EOG seeks a Statewide Rule 32 exception renewal for the Spradlin Unit (16797), Eagleville (Eagle Ford-1) Field, Gonzales County, Texas.
  - a. EOG was granted an exception to Statewide Rule 32 in Final Order No. 01-0301695 to flare a maximum of 80 Mcfd, effective May 13, 2016 to May 12, 2018.
  - b. The Commission received a hearing request from EOG to extend the current Statewide Rule 32 exception on March 19, 2018.
  - c. The subject lease produces sour gas, with an H<sub>2</sub>S concentration ranging between 280 ppm and 600 ppm.
  - d. A flow line is tied into the facility which is tied into a sweet gas line. EOG plans to start treating and selling the gas and is moving an UltraFab to this location to treat the gas to a level that meets the sweet gas pipeline specifications.
  - e. EOG is requesting to extend current flaring permit until EOG is able to install an UltraFab device used to treat the sour gas.
  - f. EOG is requesting a Statewide Rule 32 exception renewal for the Spradlin Unit from the end of previous permit (May 12, 2018) to September 1, 2018 to flare a maximum of 75 Mcfd.
6. EOG seeks a Statewide Rule 32 exception renewal for the Lyssy Unit, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas.
  - a. EOG was granted an exception to Statewide Rule 32 in Final Order No. 02-0300426, effective April 29, 2016 to April 28, 2018, to flare a maximum of 100 Mcfd.
  - b. The Commission received a hearing request from EOG to extend the current Statewide Rule 32 exception on March 19, 2018.
  - c. Wells on the subject lease produce sour casinghead gas, with a combined gas rate from the three wells on the lease of 50 Mcfd.
  - d. Based on the low gas rate and the presence of H<sub>2</sub>S, it is uneconomic to treat the gas to meet the pipeline specifications.
  - e. EOG is requesting a Statewide Rule 32 exception renewal for the Spradlin Unit from the end of previous permit (April 28, 2018) through April 27, 2020 to flare a maximum of 60 Mcfd.

7. EOG seeks a Statewide Rule 32 exception renewal for the Shoveler/Merganser Unit (17981/17984), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
  - a. EOG was granted an exception to Statewide Rule 32 in Final Order No. 01-0299700, effective March 25, 2016 to March 25, 2018 to flare a maximum of 170 Mcfd.
  - b. The Commission received a hearing request from EOG to extend the current Statewide Rule 32 exception on March 19, 2018.
  - c. There are two wells on the Shoveler/Merganser Unit in which the casinghead gas goes to a single flare point.
  - d. The initial Form H-9 filed shows a H<sub>2</sub>S concentration of 8,000 ppm. EOG's witness testified that the H<sub>2</sub>S concentration in the gas is now in excess of 25,000 ppm.
  - e. The total gas produced from the Shoveler/Merganser Unit approaches 100 Mcfd.
  - f. Based on the low volume of gas produced and the high H<sub>2</sub>S concentration, it is uneconomic to treat the sour gas to pipeline specifications, as the treatment cost is estimated to be a net loss of \$700/day.
  - g. EOG is requesting a Statewide Rule 32 exception renewal for the Shoveler/Merganser Unit from the end of previous permit (March 25, 2018) through March 24, 2020 to flare a maximum of 85 Mcfd.
8. For each application, EOG agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), these Final Orders shall be final and effective on the date a Master Order relating to these Final Orders is signed.

#### **CONCLUSIONS OF LAW**

1. 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(h) provides for an exception to Statewide Rule 32.

4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, these Final Orders are final and effective when a Master Order relating to these Final Orders are signed.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant Statewide Rule 32 exception renewals for the Gibbs Unit (09728), Hundley B Unit (15248), Spradlin Unit (16797), Lyssy Unit (09513), and the Shoveler/Merganser Unit (17981/17984) as requested by EOG.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Clayton Hoover  
Administrative Law Judge