



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0316543

APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE TIBETAN RED UNIT (18468) LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

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

HEARING DATE: February 5, 2019

CONFERENCE DATE: March 26, 2019

APPEARANCES:

Doug Dashiell, Attorney
Jeremy Montanez, Regulatory Manager

REPRESENTING:

EOG Resources, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") seeks a Statewide Rule 32 exception renewal for the Tibetan Red Unit (18468) Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas. EOG requests to extend its current administrative exception to Statewide Rule 32 for a period of two years, to flare a maximum of 75 thousand cubic feet ("MCF") per day. EOG is the only operator adjacent to the section where the flare stack is located. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

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/Day may be granted administratively for a period up to 180 days. 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. Beyond that, Statewide

Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

The 1H well (API No. 42-013-35241) is the only producing well on the Tibetan Red Unit Lease. This well is classified as an oil well pursuant to the W-2 dated October 13, 2015, and produces sour gas with an initial concentration of 8,000 parts per million ("ppm") as reported on an amended Form H-9, dated March 24, 2016. During the period from June 1, 2018 to January 26, 2019, an average of 58.92 MCF/Day has been flared from the lease.

EOG was granted an administrative exception to Statewide Rule 32, for the Tibetan Red Unit (18468) Lease flare point through Permit No. 35092. Under the flaring permit, the Tibetan Red Unit (18468) Lease was authorized to flare administratively, for two consecutive periods of 90 days each, effective June 16, 2018 to September 14, 2018, for 100 MCF/Day and September 15, 2018 to December 14, 2018 for 75 MCF/Day, respectively. EOG is requesting an exception to Rule 32 to flare up to 75 MCF/Day of casinghead gas for two years, from December 15, 2018 to December 14, 2020.

Testimony and evidence in the record indicate that the nearest, most accessible gas gathering/treatment facility is approximately two miles distant from the 1H well. Given the well's deliverability, the market price for the sour gas, the H₂S treatment costs and the pipeline construction costs, the five-year Rate of Return on constructing a two-mile long four-inch gas gathering pipeline to the well is negative thirty percent (-30%), making the pipeline investment unfeasible for EOG.

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

FINDINGS OF FACT

1. Proper notice of this hearing was provided to all offset operators at least ten (10) days prior to the date of the hearing and no protests were received.
2. EOG seeks an exception to Statewide Rule 32 to flare casinghead gas associated with the Tibetan Red Unit (18468) Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
3. EOG was granted an administrative exception to Statewide Rule 32, for the Tibetan Red Unit (18468) Lease flare point through Permit No. 35092. Under the flaring permit, the Tibetan Red Unit (18468) Lease was authorized to flare administratively, for two consecutive periods of 90 days each, effective June 16, 2018 to September 14, 2018, for 100 MCF/Day and September 15, 2018 to December 14, 2018 for 75 MCF/Day, respectively.

4. EOG filed a letter dated November 26, 2018, requesting a hearing to be conducted to seek continued flaring authority for the Tibetan Red Unit (18468) Lease flare point.
5. A public hearing was held on February 5, 2019.
6. EOG is requesting flaring authority of 75 MCF/Day of casinghead gas for two years, from December 15, 2018 to December 14, 2020.
7. The 1H well, the only well on the Tibetan Red Unit Lease, is an oil well which also produces sour casinghead gas.
 - a. During the period from June 1, 2018 to January 26, 2019, an average of 58.92 MCF/Day has been flared from the lease.
 - b. The 1H well produces sour gas with an initial concentration of 8,000 ppm as reported on an amended Form H-9, dated March 24, 2016.
 - c. If the authority to flare casinghead gas is not granted, EOG would have to curtail production.
8. Given the well's deliverability, the market price for the sour gas, the H₂S treatment costs and the pipeline construction costs, the five-year Rate of Return on constructing a two-mile four-inch gas gathering pipeline to the well is a negative thirty percent (-30%), making the pipeline investment unfeasible for EOG.
9. EOG agreed that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper 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, this Final Order is final and effective when a Master Order relating to this Final Order is signed.

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 flare point servicing the Tibetan Red Unit Lease (18468), to flare a maximum of 75 MCF per day of casinghead gas for a period of two years from December 15, 2018, to December 14, 2020, as requested by EOG.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge