



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0281025

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

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

DATE OF HEARING: March 28, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Jeffrey Perry

EOG Resources, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests an exception to Statewide Rule 32 to flare 90 MCFPD of casinghead gas from March 18, 2013, through June 30, 2014, at the H.E. Unit Facility (ID No. 16182), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.

Notice was provided to offset operators surrounding the above referenced lease. The application is unopposed and the examiners recommend approval of an exception to Statewide Rule 32 for the H.E. Unit Facility, as requested by EOG.

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 MCFPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, EOG is requesting to flare 90 MCFPD of casinghead gas from March 18, 2013, through June 30, 2014, at the H.E. Unit Facility, as provided by Statewide Rule 32(h).

The H.E. Unit Facility is located in southwestern Atascosa County, approximately 16 miles northwest of the town of Tilden, Texas. This area of the Eagleville (Eagle Ford-1) Field is undergoing rapid development and lacks existing oil and gas infra-structure for new gas production. The H.E. Unit Facility is located approximately four and one-half miles from the nearest gas gatherer in the area, Regency Texas Pipeline LLC ("Regency").

EOG submitted a copy of the Commission Form W-2 filed for the H.E. Unit, Well No. 1H, that was completed in August 2012. The well produced 751 BOPD, 228 MCFGPD and 1,812 BWPD with a gas-oil ratio of 303 cubic feet per barrel. EOG received administrative Permit No. 12028 to flare 150 MCFPD of casinghead gas from the H.E. Unit Facility. The permit was effective September 15, 2012, and expired on March 17, 2013, after three extensions, which totaled the maximum 180 days allowed by an administrative permit.

EOG has already constructed a sweet gas gathering pipeline anticipating no H₂S to be produced. However, the H₂S concentration at the flare meter has averaged 8,000 to 10,000 ppm. The nearest sour gas gathering pipeline is located approximately four and one-half miles from the H.E. Unit Facility. EOG estimated a pipeline cost of \$1.2 million and calculated over a 21 year payout based on the current production. EOG is evaluating other gas sales options and requests an exception to Statewide Rule 32 to flare 90 MCFPD of casinghead gas from March 18, 2013, through June 30, 2014, at the H.E. Unit Facility.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. There were no protests to the application.
2. The H.E. Unit Facility is located in southwestern Atascosa County, approximately 16 miles northwest of the town of Tilden, Texas.
 - a. This area of the Eagleville (Eagle Ford-1) Field is undergoing rapid development and lacks existing oil and gas infra-structure for new gas production.
 - b. The H.E. Unit, Well No. 1H, was completed in August 2012 and produced 751 BOPD, 228 MCFGPD and 1,812 BWPD with a gas-oil ratio of 303 cubic feet per barrel.
3. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
 - a. EOG Resources, Inc. ("EOG") received administrative Permit No. 12028 to flare 150 MCFPD of casinghead gas from the H.E. Unit Facility.

- b. The permit was effective September 15, 2012, and expired on March 17, 2013, after three extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. An exception to Statewide Rule 32 to flare 90 MCFPD of casinghead gas from March 18, 2013, through June 30, 2014, at the H.E. Unit Facility, is appropriate.
 - a. EOG has already constructed a sweet gas gathering pipeline anticipating no H₂S to be produced.
 - b. The H₂S concentration at the flare meter has averaged 8,000 to 10,000 ppm.
 - c. The nearest sour gas gathering pipeline is located approximately four and one-half miles from the H.E. Unit Facility.
 - d. EOG estimated a pipeline cost of \$1.2 million and calculated over a 21 year payout based on the current production.
 - e. EOG is evaluating other gas sales options.

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. Approval of the requested authority pursuant to Statewide Rule 32 will prevent waste and will not harm correlative rights.

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 to flare 90 MCFPD of casinghead gas from March 18, 2013, through June 30, 2014, at the H.E. Unit Facility, as requested by EOG Resources, Inc.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Michael Crnich
Legal Examiner