



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 01-0294924**

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**THE APPLICATION OF EOG RESOURCES, INC FOR AN EXTENSION OF FLARING PERMIT, EXCEPTION TO STATEWIDE RULE 32, FOR THE LION UNIT, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 02-0294925**

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**THE APPLICATION OF EOG RESOURCES, INC FOR AN EXTENSION TO FLARING PERMIT, EXCEPTION TO STATEWIDE RULE 32, FOR THE LEE UNIT, IN THE EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 01-0294926**

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**THE APPLICATION OF EOG RESOURCES, INC FOR AN EXTENSION OF FLARING PERMIT, EXCEPTION TO STATEWIDE RULE 32 FOR THE BRITE LEG UNIT, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 01-0294994**

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**THE APPLICATION OF EOG RESOURCES, INC FOR AN AMENDMENT OF FLARING PERMIT, EXCEPTION TO STATEWIDE RULE 32, FOR THE SAN MIGUEL D UNIT, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD IN ATASCOSA COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 01-0294995**

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**THE APPLICATION OF EOG RESOURCES, INC FOR AN AMENDMENT OF FLARING PERMIT, EXCEPTION TO STATEWIDE RULE 32, FOR THE WHITE LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD IN LASALLE COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois - Technical Examiner  
Peggy Laird - Technical Examiner  
Terry Johnson - Legal Examiner

**HEARING DATE:** February 19, 2015

**CONFERENCE DATE:** April 28, 2015

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

**APPLICANT:**

Doug Dashiell  
Jeff Perry

EOG Resources, Inc.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

EOG Resources, Inc. (EOG) seeks exceptions to Statewide Rule 32 (16, Tex. Admin. Code §3.32) to flare gas from five leases in the Eagleville (Eagle Ford-1) and Eagleville (Eagle Ford-2) Fields in Atascosa, McMullen, Karnes, and LaSalle Counties, Texas. All offset operators in the subject fields were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Examiners recommend the exceptions to Statewide Rule 32 be granted, as requested by EOG.

**DISCUSSION OF THE EVIDENCE**

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. In the subject applications, EOG is requesting to flare gas as provided in Statewide Rule 32(h), for a limited time until appropriate gas facilities and connections can be completed.

The subject leases in this application are completed in active Eagle Ford Formation fields in South Texas. These areas lack adequate oil and gas infrastructure for new production facilities, in particular gas gathering, processing, and transmission facilities. Gas produced from these leases is sour and requires treatment to remove hydrogen sulfide. All leases have experienced operational problems because of limited transmission system availability and pressure differences within gathering systems. At the hearing, EOG presented information and testimony for all five leases. What follows is a summary of EOG's presentation presented by lease and docket number .

**LION UNIT (Docket No. 01-0294924)**

The **Lion Unit (Lease No. 17725)** is located near Christine, Atascosa County, and has one well that was completed on May 18, 2014, in the Eagleville (Eagle Ford-1) Field. Initial production was 835 barrels of oil per day (BOPD), 188 thousand cubic feet of gas per day (MCF/D), and 1,981 barrels of water per day (BWPD). Since initial production, the field has changed from producing sweet gas to sour gas, and the gathering system has been converted from sweet gas to sour gas. As part of operations and to facilitate selling the gas, pigging devices are run through the pipelines that lead to their sour gas compressor station. The immediate problem is the pipeline from the subject well is inoperable because one of the pigging devices is stuck in the pipeline. Gas sales from the lease have been temporarily suspended until the pigging device is retrieved. When pipeline functionality is restored, EOG plans to resume the sale of the gas.

EOG received administrative authority (Permit No. 18955) to flare 350 MCF/D from July 21, 2014, to January 31, 2015. EOG's request for a hearing to extend the flaring authority was received on December 23, 2014. The request for a hearing allows the permit to remain in effect beyond the expiration, pending outcome of the hearing. EOG is requesting authority to flare 250 MCF/D for 60 days, from February 19, 2015, to April 20, 2015, to allow time to resolve the problem of the stuck pigging device.

**LEE UNIT (Docket No. 02-0294925)**

The **Lee Unit (Lease No. 10893)** is located 3.3 miles northeast of Gillett, Karnes County, and has one well that was completed on July 7, 2014, in the Eagleville (Eagle Ford-2) Field. Initial production was 1,601 BOPD, 405 MCF/D gas, and 1,240 BWPD. Gas produced from this unit has become increasingly sour over time. EOG presented data that demonstrated the cost of treating the gas exceeds the market value of the treated gas, resulting in a loss. EOG also reported the use of a sour gas pipeline would be cost prohibitive because of the distance to the nearest existing pipeline. The production rate of the well has declined and is expected to continue to decline, further adding to the loss. Therefore, EOG does not sell any of the treated gas from the Lee Unit because it is not economically feasible. EOG flares all the gas and is obligated under the terms of their lease to pay royalties on the gas flared, which also contributes to the loss.

EOG received administrative authority (Permit No. 19046) to flare 450 MCF/D from July 26, 2014, to January 24, 2015. EOG's request for a hearing to extend the flaring authority was received on December 23, 2014. The request for a hearing allows the permit to remain in effect beyond the expiration, pending outcome of the hearing. EOG is requesting authority to flare 450 MCF/D for as long as the Commission will allow. The Examiners informed EOG that current practice is to limit authority to flare by final order to a period of two years, which would be from January 25, 2015, to January 25, 2017.

**BRITE LEG UNIT (Docket No. 01-0294926)**

The **Brite Leg Unit (Lease No. 17207)** is located 6 miles northwest of Tilden, McMullen County. According to the Form W-2, the first of three wells, No. 1H, was completed on September 14, 2013, in the Eagleville (Eagle Ford-1) Field. Initial production was 1,943 BOPD, 1,651 MCF/D gas, and 2,139 BWPD.

EOG has a contract with Regency Pipeline for the transmission of the casinghead gas. Regency operates the only sour gas pipeline in the proximity of this lease. The pressure difference between EOG's line and Regency's line is too great which prevents EOG from connecting to the higher pressured Regency line. EOG installed new compressors in their system to alleviate the pressure incompatibility with Regency's high pressure line. Regency also experiences operational problems that create unscheduled downtime of the system. EOG is unable to utilize the Regency line during these downtimes.

EOG received administrative authority (Permit No. 14823) to flare 1,500 MCF/D from November 11, 2013, to December 4, 2014. EOG's request for a hearing to extend the flaring authority was received on December 23, 2014. EOG is requesting authority to flare 500 MCF/D from December 24, 2014, to December 24, 2016.

**SAN MIGUEL D UNIT (Docket No. 01-0294994)**

The **San Miguel D Unit (Lease No. 16727)** is located 17.4 miles southeast of Jourdanton, Atascosa County. According to the Form W-2, the first of two wells, No. 2H, was completed on March 1, 2013, in the Eagleville (Eagle Ford-1) Field. Initial production was 1,141 BOPD, 219 MCF/D gas, and 2,841 BWPD.

EOG has a contract with Regency Pipeline for the transmission of the casinghead gas. Until recently, the pressure difference between EOG's line and Regency's line was too great which prevented EOG from connecting to the higher pressured Regency line, and flaring was necessary. EOG has replaced several of their compressors as part of a project to upgrade and convert the EOG system from sweet to sour. Since the upgrades to their system, EOG is experiencing fewer problems. EOG plans to continue upgrading their system, and anticipates their converted system will function with minimal issues requiring only occasional small amounts of flaring for the subject lease.

EOG received administrative authority (Permit No. 13593) to flare 50 MCF/D from May 25, 2013, to November 23, 2013. On November 22, 2013, EOG requested a permanent exception of 50 MCF/D to their permit that was granted retroactively from May 23, 2013, and is currently in effect. EOG's request for a hearing was received on January 6, 2015, for an amendment to their current permit for a fixed volume increase of 4,236 MCF. This fixed volume is intended to retroactively cover flare volumes during a 36-day period from January 6, 2015, to February 12, 2015. After the 36-day period, the permanent exception of 50 MCF/D will remain in place.

**WHITE LEASE (Docket No. 01-0294995)**

The **White Lease (Lease No. 16250)** is located 27.1 miles northeast of Cotulla, LaSalle County. The first of seven wells on the lease, No. 2H, was completed on September 8, 2012, in the Eagleville (Eagle Ford-1) Field. Initial production was 1,135 BOPD, 230 MCFGPD, and 2,491 BWPD.

EOG has a contract with Regency Pipeline, the only sour gas gathering pipeline in the area at this time. EOG reported that the pressure difference between EOG's line and Regency's line was too great, preventing EOG from connecting to the higher pressured Regency line. EOG has replaced several of their compressors, but pressure differences continue to be a problem with the Regency pipeline. EOG also reported the need to flare and flaring amounts may vary due to wells being shut in for operational issues and production requirements. EOG reports they are uncertain about the pipeline's capability for future operations, and their need to flare from this lease is expected to continue under the current scenario.

EOG received administrative authority (Permit No. 14279) to flare 800 MCF/D from June 24, 2013, to December 22, 2013. On December 9, 2013, EOG requested a permanent exception of 50 MCF/D to their permit that was granted retroactively from June 24, 2013, and is currently in effect. EOG's request was received on January 8, 2015, for a hearing to amend their current permit to allow an increase of the flare volume to 4,000 MCF/month, which is approximately 133 MCF/D. EOG requested the permit for as long as the Commission will allow. The Examiners informed EOG that current practice is to limit authority to flare by final order to a period of two years, which would be from January 8, 2015, to January 8, 2017.

**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 hearing. There were no protests to the application.
2. The subject leases in this application produce sour gas which requires treatment to remove hydrogen sulfide.
3. The subject leases in this application are completed in various Eagle Ford Formation fields, which have limited infrastructure for sour gas gathering, processing and transmission.
4. Exceptions to Statewide Rule 32 authorizing gas to be flared is necessary due to continued capacity issues such as unscheduled downtime, compressor upgrades, upset conditions, and high line pressures, all of which occur regularly in this area.

5. EOG is working to upgrade and replace their compressors for the gathering, processing and transmission of casinghead gas produced from the subject leases.
6. EOG has contracted with Regency Pipeline Company for the gathering, processing, and transmission of sour casinghead gas produced from the subject leases. Regency is the only sour gas pipeline available at this time.
7. These leases have received administrative permits to flare casinghead gas for 180 days each. Two of the leases have a permanent exception of 50 MCF/D.

**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. Approval of the requested exception to Statewide Rule 32 to flare gas for the subject wells will not harm correlative rights, and will promote development of the field.

**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 subject wells, as requested by EOG Resources, Inc.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Peggy Laird  
Technical Examiner



Terry Johnson  
Legal Examiner