



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0304487

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SANJAC (16796) UNIT, EAGLEVILLE (EAGLE FORD-1) FIELD, GONZALES COUNTY, TEXAS

OIL & GAS DOCKET NO. 01-0304489

THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE WLS/MERLIN (18005/18007) UNIT, EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Ryan M. Lammert – Administrative Law Judge

HEARING DATE: June 2, 2017

CONFERENCE DATE: August 1, 2017

APPEARANCES:

APPLICANT:

Doug Dashiell
Jeremy Montanez

REPRESENTING:

EOG Resources, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32) EOG Resources, Inc. ("EOG") seeks authority to flare gas from the Sanjac Unit in the Eagleville (Eagle Ford-1) Field, Gonzales County, and the WLS/Merlin Units in the Eagleville (Eagle Ford-1) Field in La Salle County, Texas. Gas produced at these units contains hydrogen sulfide ("H₂S"), and the cost to treat the gas to achieve sales specs far exceeds the value of the gas itself. The requested exceptions will allow EOG to continue to produce liquid hydrocarbons from the subject units. EOG seeks authority to flare up to 60 thousand cubic feet ("mcf") per day from the Sanjac Unit, and 250 mcf/day from the

WLS/Merlin Unit, both for a period of two years. The applications were not protested. The Examiners recommend EOG's exceptions be granted.

Generally, 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.

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 the hearing.
2. Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission.
3. 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.
4. Docket No. 01-0304487: Sanjac Unit
 - a. There are 7 wells on the Sanjac Unit, but only Well No. 1H produces gas containing H₂S.
 - b. Gas produced from the Sanjac Unit Well No. 1H contains up to 500 parts per million ("ppm") H₂S.
 - c. To attain pipeline sales specifications, EOG is able to blend some of the gas produced from the 1H well with gas produced from the other six wells

- on the unit and reduce the H₂S concentration.
- d. If the gas cannot be blended or flared, the 1H well must be shut-in.
 - e. EOG received administrative authority (permit no. 01-16796) to flare 75 mcf/day gas from the Sanjac Unit from November 26, 2016 to February 24, 2017.
 - f. Permit No. 01-16796 was extended until May 26, 2017, and the authorized flare volume was increased to 100 mcf/day.
 - g. On April 6, 2017, EOG requested a hearing to further extend the flaring authority.
 - h. There are no nearby markets for the produced sour gas.
 - i. EOG estimates the cost to either build a pipeline to the nearest sour gas market or to treat the gas to market specs is not economical.
 - j. Authority to flare up to 60 mcf/day will enable EOG to continue to produce liquid hydrocarbons from the Sanjac Unit Well No. 1H.
5. Docket No. 01-0304489: WLS/Merlin Unit
- a. There is one well on the WLS Unit and one well on the Merlin Unit.
 - b. Gas produced from the WLS Unit contains up to 5,200 ppm H₂S. Gas produced from the Merlin Unit contains up to 5,800 parts ppm H₂S.
 - c. The nearest gas pipeline is about 3 miles away.
 - d. To attain pipeline sales specifications, EOG must treat the gas produced from the WLS/Merlin Units to reduce the H₂S concentration. EOG has attempted to treat the gas but could not do so economically.
 - e.
 - f. If the gas cannot be treated or flared, the 1H well must be shut-in.
 - g. EOG received administrative authority (permit no. 01-28602) to flare 200 mcf/day gas from the WLS/Merlin Unit from November 1, 2016 to May 1, 2017.
 - h. On April 6, 2017, EOG requested a hearing to further extend the flaring authority.

- i. There are no nearby markets for the produced sour gas.
 - j. EOG estimates the cost to either build a pipeline to the nearest sour gas market or to treat the gas to market specs is not economical.
 - k. Authority to flare up to 250 mcf/day will enable EOG to continue to produce liquid hydrocarbons from the WLS/Merlin Units.
6. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code §81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §§1.43 and 1.45.
3. Approval of the application will prevent waste and protect correlative rights.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on August 1, 2017.

EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the applications of EOG Resources, Inc. for exceptions to Statewide Rule 32 for the WLS/Merline (18005/18007) Unit in the Eagleville (Eagle Ford-1) Field in La Salle County, and for the Sanjac (16796) Unit in the Eagleville (Eagle Ford-1) Field in Gonzales County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Ryan M. Lammert
Administrative Law Judge