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DANA AVANT LEWIS  
*INTERIM DIRECTOR*

## RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 01-0313381**

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**APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CALDARKO UNIT (17417), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 01-0313406**

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**APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE MARY GARY/GORDON C UNIT (17429/17808), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 01-0313407**

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**APPLICATION OF EOG RESOURCES, INC. (253162) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PEVERETT UNIT (18212), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 02-0313409**

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

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

**HEARING DATE:** September 14, 2018  
**CONFERENCE DATE:** November 13, 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) Peverett Unit (18212), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
- 3) Caldarko Unit (17417), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
- 4) Mary Gary/Gordon C Unit (17429/17808), 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 July 17 and 18, 2018, the Commission received a hearing request from EOG to extend the current Statewide Rule 32 exception for the Gibbs Unit (09728), Peverett Unit (18212), Caldarko Unit (17417), and the Mary Gary/Gordon C Unit (17429/17808).

**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 was previously granted an exception to Statewide Rule 32 for the Gibbs Unit in Final Order No. 02-0310135. EOG's current permit (Permit No. 31870) authorizes EOG to flare a maximum volume of 125 Mcfd, effective March 21, 2018 to August 1, 2018. The subject lease produces sour gas, with a H<sub>2</sub>S concentration from 3,000 ppm to 7,000 ppm. The subject lease is tied into a 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 to market the gas to a sweet line for sales. 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 through October 1, 2018, to flare a maximum volume of 100 Mcfd (August 2, 2018 through October 1, 2018).

**Peverett Unit (18212), Eagleville (Eagle Ford-1) Field, Atascosa County**

EOG seeks a Statewide Rule 32 exception renewal for the Peverett Unit (18212), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas. EOG was previously granted an exception to Statewide Rule 32 for the Peverett Unit in Final Order No. 01-0301121 to flare a maximum volume of 100 Mcfd, effective August 1, 2016 to July 31, 2018. The Peverett Unit is not connected to a pipeline. The straight-line distance to the nearest pipeline is 2.5 miles, while the average volume of casinghead gas is 60 Mcfd. Based on current production, it is uneconomic to connect to the nearest pipeline to market the casinghead gas. EOG is requesting a Statewide Rule 32 exception renewal for a period of two years (August 1, 2018, through July 31, 2020), to flare a maximum of 60 Mcfd.

**Caldarko Unit (17417), Eagleville (Eagle Ford-1) Field, Atascosa County**

EOG seeks a Statewide Rule 32 exception renewal for the Caldarko Unit (17417), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas. EOG was granted an exception to Statewide Rule 32 for the Caldarko Unit in Final Order No. 01-0301117 to flare a cumulative maximum volume of 4,500 Mcf per month ( an average of 150 Mcfd), effective July 27, 2016 to July 26, 2018 (Permit No. 26067). There are currently 2 wells on the Caldarko Unit, Well Nos. 2H and 4H, and both wells produce sour gas, with concentrations ranging from 22,000 ppm for the Caldarko Unit No. 2H and 26,000 ppm for the Caldarko Unit, Well No. 4H. The Caldarko Unit, Well No. 4H is currently shut-in. The nearest pipeline is a sweet gas line. The cost to treat the sour gas to meet pipeline specifications is \$514.80 per day, while the daily gas gross income is \$332.40, at a price of gas of \$5.54 per Mcf and a daily flow rate of 60 Mcf, which results in a net daily loss of \$182.40 per day for treatment costs alone. EOG is requesting a Statewide Rule 32 exception renewal from the expiration date of previous permit for a period of two years (July 27, 2018 through to July 26, 2020), to flare a maximum volume of 1,800 Mcf per month (a daily average of 60 Mcfd).

**Mary Gary/Gordon C Unit (17429/17808), Eagleville (Eagle Ford-1) Field, Atascosa County**

EOG seeks a Statewide Rule 32 exception renewal for the Mary Gary/Gordon C Unit (17429/17808), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas. EOG was granted an exception to Statewide Rule 32 for the Mary Gary/Gordon C Unit in Final Order No. 01-0301118, effective July 25, 2016 to July 24, 2018, to flare a maximum volume of 2,500 Mcf per month (a daily average of 83 Mcfd, Permit No. 26066). There are currently two wells connected to a single flare point on these units. The combined daily casinghead gas production from these oil wells is 70 to 75 Mcfd. The combined H<sub>2</sub>S concentration for the wells is 10,000 ppm. EOG plans on moving an UltraFab unit to this location to evaluate the feasibility of treating the gas to pipeline specifications for gas sales. In addition, EOG wants to evaluate whether there will be an adverse effect on oil production

as a result of any backpressure added to the system in treating the sour gas and connecting it to a gas sales line. EOG is requesting a Statewide Rule 32 exception renewal for the Mary Gary/Gordon C Unit flare point from the expiration of previous permit for a period of two years (July 5, 2018 through July 4, 2020) to flare a maximum of 80 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. Peverett Unit (18212), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
  - c. Caldarko Unit (17417), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
  - d. Mary Gary/Gordon C Unit (17429/17808), 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 was previously granted an exception to Statewide Rule 32 for the Gibbs Unit in Final Order No. 02-0310135.
  - b. EOG's current permit (Permit No. 31870) authorizes EOG to flare a maximum volume of 125 Mcfd, effective March 21, 2018 to August 1, 2018.
  - c. The subject lease produces sour gas, with H<sub>2</sub>S concentrations ranging from 3,000 ppm to 7,000 ppm.
  - d. The subject lease is tied into a pipeline and EOG is about to start selling the gas.

- e. EOG is requesting to extend the current flaring permit until EOG is able to install an UltraFab device to treat the sour gas to market the gas to a sweet line for sales. 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 through October 1, 2018, to flare a maximum volume of 100 Mcfd (August 2, 2018 through October 1, 2018).
4. EOG seeks a Statewide Rule 32 exception renewal for the Peverett Unit (18212), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
- a. EOG was previously granted an exception to Statewide Rule 32 for the Peverett Unit in Final Order No. 01-0301121 to flare a maximum volume of 100 Mcfd, effective August 1, 2016 to July 31, 2018.
  - b. The Peverett Unit is not connected to a pipeline. The straight-line distance to the nearest pipeline is 2.5 miles, while the average volume of casinghead gas is 60 Mcfd.
  - c. Based on current production, it is uneconomic to connect to the nearest pipeline to market the casinghead gas.
  - d. EOG is requesting a Statewide Rule 32 exception renewal for a period of two years (August 1, 2018, through July 31, 2020), to flare a maximum of 60 Mcfd.
5. EOG seeks a Statewide Rule 32 exception renewal for the Caldarko Unit (17417), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
- a. EOG was granted an exception to Statewide Rule 32 for the Caldarko Unit in Final Order No. 01-0301117 to flare a cumulative maximum volume of 4,500 Mcf per month ( an average of 150 Mcfd), effective July 27, 2016 to July 26, 2018 (Permit No. 26067).
  - b. There are currently 2 wells on the Caldarko Unit, Well Nos. 2H and 4H. Both wells produce sour gas, with concentrations ranging from 22,000 ppm for the Caldarko Unit No. 2H and 26,000 ppm for the Caldarko Unit, Well No. 4H.
  - c. The Caldarko Unit, Well No. 4H is currently shut-in.
  - d. The nearest pipeline is a sweet gas line. The cost to treat the sour gas to meet pipeline specification is \$514.80 per day, while the daily

gas gross income is \$332.40, at a price of gas of \$5.54 per Mcf and a daily flow rate of 60 Mcf, which results in a net daily loss of \$182.40 per day for treatment costs alone.

- e. EOG is requesting a Statewide Rule 32 exception renewal from the expiration date of previous permit for a period of two years (July 27, 2018 through to July 26, 2020), to flare a maximum volume of 1,800 Mcf per month (a daily average of 60 Mcfd).
6. EOG seeks a Statewide Rule 32 exception renewal for the Mary Gary/Gordon C Unit (17429/17808), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.
    - a. EOG was granted an exception to Statewide Rule 32 for the Mary Gary/Gordon C Unit in Final Order No. 01-0301118, effective July 25, 2016 to July 24, 2018, to flare a maximum volume of 2,500 Mcf per month (a daily average of 83 Mcfd, Permit No. 26066).
    - b. There are currently two wells connected to a single flare point on these units. The combined daily casinghead gas production from these oil wells is 70 to 75 Mcfd. The combined H<sub>2</sub>S concentration for the wells is 10,000 ppm.
    - c. EOG plans to move an UltraFab unit to this location to evaluate the feasibility of treating the gas to pipeline specification for gas sales. In addition, EOG will evaluate whether there will be an adverse effect on oil production as a result of any backpressure added to the system in treating the sour gas and connecting it to a gas sales line.
    - d. EOG is requesting a Statewide Rule 32 exception renewal for the Mary Gary/Gordon C Unit flare point from the expiration of previous permit for a period of two years (July 5, 2018 through July 4, 2020) to flare a maximum of 80 Mcfd.
  7. For each application, EOG agreed on the record, 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), Peverett Unit (18212), Caldarko Unit (17417), and the Mary Gary/Gordon C Unit, as requested by EOG.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Clayton Hoover  
Administrative Law Judge