



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0286579

THE APPLICATION OF EOG RESOURCES, INC., FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR ITS ELLISON UNIT, WELL NO. 1, AGUILA VADO (EAGLEFORD) FIELD, MADISON COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Hearings Examiner

HEARING DATE: April 7, 2014

APPEARANCES: **REPRESENTING:**

APPLICANT:

George Neale
Daniel Shea

EOG Resources, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. (EOG) is requesting a permanent exception to Statewide Rule 32 to flare gas from its Ellison Unit, Well No. 1H, in the Aguila Vado (Eagleford) Field in Madison County, Texas. All offset operators in the field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing.

The examiners informed EOG that a permanent exception would not be recommended. The current maximum exception is two years. The examiners noted that the current gas production from the well had declined to about 55 MCF/D; at 50 MCF/D EOG would be able to apply for a permanent administrative exception to Statewide Rule 32. The examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject well for a period of two years. EOG did not find this to be adverse.

DISCUSSION OF THE EVIDENCE

The subject well in this application is completed in an active Eagle Ford Formation field in East-Central Texas. The area lacks existing oil and gas infrastructure for new production facilities, in particular gas gathering, processing, and transmission facilities. 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 produced by the subject well, as provided in Statewide Rule 32(h) on a permanent basis. An exception will allow EOG to continue to produce oil from the well.

The Ellison Unit 1H well is located about 4.4 miles southwest of the town of Normangee, Texas. It is the only well on the lease. The horizontal well was completed on June 2, 2013. On initial potential testing the well produced 450 BO, 156 MCFG and 300 BW. The gas to oil ratio was 346 SCF/Bbl. The estimated ultimate recovery is 224,362 BO and 82,476 MCF gas. The well may not be producing at its optimal capacity. The horizontal well bore has been fracture stimulated, but several plugs remain in the wellbore isolating the most distant perforations. EOG encountered technical problems and may not be able to remove the distal plugs.

Gas sales options for EOG are limited. EOG believes its best option is to construct a pipeline to a 3rd party well location and tie into the ETC Madison Plant Compressor Station. The 3.88 mile pipeline would cost \$2.2 million to construct and require 9 to 12 months. EOG believes the project is not economical based on the gas EUR of the well and the current gas price of \$4-5/MCF.

EOG obtained administrative permit no. 13633 to flare casinghead gas from the Ellison Unit 1H well. The permit allowed for a maximum of 130 MCF/D from June 12, 2013 through December 11, 2013. EOG now seeks a Commission Final Order to extend the permit to flare beyond the administrative limit of 180 days. Gas production in the well has declined and is currently at about 55 MCF/D. EOG requests authority to flare 55 MCF/D of gas for two years, until December 10, 2015, by which time gas production may have fallen below 50 MCF/D and a permanent administrative exception may be sought. Drilling out the existing plugs may also affect well production and economic picture. EOG has general, but not specific or pending plans to drill more wells in the area and will revisit the economics of gas pipeline connection as other wells are brought into production.

FINDINGS OF FACT

1. Proper notice of this hearing was given. For each well all offset operators in the appropriate field were notified at least ten days prior to the date of hearing. There were no protests to the application.

2. The Ellison Unit 1H well is completed in the Aguila Vado (Eagleford) Field.
3. On initial completion the Ellison Unit 1H well produced 450 BO, 156 MCF gas and 300 BW. The gas to oil ratio was 346 SCF/Bbl. The estimated ultimate recovery is 224,362 BO and 82,476 MCF gas.
4. The development area has a lack of infrastructure, particularly for gas gathering, processing and transmission.
5. The nearest pipeline that can accommodate gas from the well is located 3.88 miles to the north.
6. Constructing a 3.88 mile pipeline would cost \$2.2 million and would not be economic based solely on the gas EUR of the well and current gas prices.
7. The Commission granted EOG administrative approval to flare 130 MCF/D of casinghead gas from the well for 180 days, from June 12, 2013, to December 11, 2013.
8. An exception to Statewide Rule 32 will enable EOG to continue to produce oil from the Ellison Unit 1H well.

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 exception to Statewide Rule 32 to flare 55 MCF/D casinghead gas for the subject well 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 for the subject well, as requested by EOG.

Respectfully submitted,


Paul Dubois
Technical Examiner


Marshall Enquist
Hearings Examiner