



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 05-0287730**

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**THE APPLICATION OF EOG RESOURCES, INC., FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR ITS TRUE GRIT WELL NO. 1H, AGUILA VADO (EAGLEFORD) FIELD, WALKER COUNTY, TEXAS**

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**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 True Grit Well No. 1H, in the Aguila Vado (Eagleford) Field in Walker 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 recommend that the exception be approved for a period of two years.

#### 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 application, EOG is requesting to flare gas produced by the subject well, as provided in Statewide Rule 32(h). An exception to Statewide Rule 32 will enable EOG to continue to produce oil from the well.

The True Grit 1H well is located about 10 miles northwest of Huntsville, Texas. It is the only well on the lease. The horizontal well was completed on August 27, 2013. On initial potential testing the well produced 5 BO, 88 MCFG and 15 BW. The gas to oil ratio was 17,600 SCF/Bbl. The initial potential test may have been conducted before all of the isolating plugs were drilled out of the lateral. EOG stated it encountered difficulties when first attempting to drill out all of the fracture plugs. Recent daily production has been about 30 to 40 BOPD and 290 MCFG/D. The estimated ultimate recovery is 29,346 BO and 159,186 MCF gas.

Gas sales options for EOG are limited. EOG believes its best option is to construct two-mile pipeline to a proposed EOG surface site connecting into a proposed Kinder Morgan Copano Pipeline lateral. The 2 mile pipeline would cost \$1.4 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 about \$4-5/MCF.

EOG obtained administrative permit no. 14309 to flare casinghead gas from the True Grit 1H well. The permit allowed for a maximum of 700 MCF/D from September 9, 2013 through March 10, 2014. 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 290 MCF/D. EOG requests authority to flare 290 MCF/D of gas for two years, until March 10, 2016. EOG has no pending plans to further develop the area, although it may do so in the future and will revisit the economics of gas pipeline connection if 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 True Grit 1H well is completed in the Aguila Vado (Eagleford) Field.
3. The True Grit 1H well produced 5 BO, 88 MCFG and 15 BW. The gas to oil ratio was 17,600 SCF/Bbl. The estimated ultimate recovery is 29,346 BO and 159,186 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 2 miles from the True Grit 1H well.
6. Constructing a 2 mile pipeline would cost \$1.4 million and would not be economical based solely on the gas EUR and current gas prices.
7. The Commission granted EOG administrative approval to flare 700 MCF/D of casinghead gas from the well for 180 days, from September 9, 2013, to March 10, 2014.
8. An exception to Statewide Rule 32 will enable EOG to continue to produce oil from the 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 290 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