



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0290229

THE APPLICATION EOG RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE SULLY UNIT, WELL NO. 1H AGUILA VADO (EAGLEFORD) FIELD
LEON COUNTY, TEXAS

HEARD BY: Karl Caldwell, Technical Examiner
Marshall Enquist, Legal Examiner

DATE OF HEARING: August 13, 2014

APPEARANCES:

REPRESENTING:

APPLICANT:

EOG Resources, Inc.

George Neale
Andres Trevino

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests an exception to Statewide Rule 32 to flare casinghead gas from the Sully Unit, Well No. 1H, Aquila Vado (Eagleford) Field, Leon County, Texas. Notice was provided to all operators in the subject field and no protests were received. The application is unopposed and the examiners recommend approval of the exception to Statewide Rule 32 as requested by Forest.

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(h) provides that an exception to flare natural gas in volumes greater than 50 MCFPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. In the context of the subject application, EOG is requesting an exception to flare casinghead gas produced from the subject wells as provided by Statewide Rule 32(h).

The Sully Unit, Well No. 1H was completed December 23, 2013. The initial potential test for the subject well was conducted on March 6, 2014 and measured 350 BOPD, 132 MCFGD, 45 BWPD, and a gas-oil ratio of 377. Well No. 1H is the only well currently on the Sully Unit lease. Cumulative production through May 2014 is 50,547 BO and 19,826 MCF of casinghead gas.

EOG received Permit No. 15413 to flare a maximum of 95 MCF per day of casinghead gas from the Sully Unit, Well No. 1H, with an effective date of January 4, 2014 and an expiration date of July 5, 2014. This permit spanned a total of 180 days, the maximum period of time that a flaring permit may be granted administratively. EOG requested a hearing prior to the expiration of the administratively-granted permit.

EOG has plans to drill an additional 6 to 7 wells in this area and is planning to build a 28,052 ft. pipeline to the Madisonville Plant, which is located to the south of the subject lease. EOG has reached an agreement with seven of sixteen landowners on a right-of-way (ROW) for the proposed pipeline. The current delay in the construction and completion of the proposed pipeline is the negotiation with the remaining landowners on ROW. EOG is uncertain as to when construction will commence and be completed. The estimated cost to build the pipeline is \$4.6MM.

EOG is requesting to flare a maximum of 95 MCF of casinghead gas per day for the Sully Unit, Well No. 1H, from the date the previous flare permit expires, through July 6, 2016.

FINDINGS OF FACT

1. EOG received Permit No. 15413 to flare a maximum of 95 MCF per day of casinghead gas from the Sully Unit, Well No. 1H, effective as of January 4, 2014 and expiring July 5, 2014.
2. EOG plans to build a 28,052 ft. pipeline.
3. EOG has reached an agreement with seven of sixteen landowners on a right-of-way (ROW) for the proposed pipeline.
4. The current delay in the construction and completion of the proposed pipeline is reaching agreements with remaining landowners on ROW.

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. The requested authority to flare casinghead gas satisfies the requirements of Title 16, Texas Administrative Code §3.32.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve an exception to Statewide Rule 32 from the date previously-granted flare permit expires through July 6, 2016, for the Sully Unit, Well No. 1H, as requested by EOG Resources, Inc.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Marshall Enquist
Legal Examiner