



## RAILROAD COMMISSION OF TEXAS

### HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 05-0299892**

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

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

**HEARING DATE:** April 15, 2016

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:**

George Neale  
Rick Johnston

EOG Resources, Inc.

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

EOG Resources, Inc. (EOG) is requesting an additional two-year exception to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) to flare gas from its True Grit Lease, Well No. 1H, in the Aguila Vado (Eagleford) Field in Walker County, Texas. All offset operators in the field were notified of the hearing. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "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 a sparsely developed Eagle Ford Formation field in East-Central Texas. The subject well is the only producing well in the Aguila Vado (Eagleford) Field in Walker County. Consequently, 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 barrels of oil, 88 thousand cubic feet (mcf) of casinghead gas, and 15 barrels of water.

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. On May 22, 2014, the Commission issued a Final Order in Oil & Gas Docket No. 05-0287730 granting EOG authority to continue to flare up to 290 mcf gas per day through March 10, 2016.

The well currently produces about 200 barrels of oil per month (about 7 barrels per day) and 2,000 mcf gas per month (about 70 mcf gas per day). EOG estimates the well has recovered 19,420 barrels of oil from an estimated ultimate recovery of 21,830 barrels. The economics of connecting the well to a gas pipeline have not improved in the last two years. According to EOG, the wellhead price for casinghead gas is now less than \$2 per 1,000 British Thermal Unit (btu); two years ago the price was between \$4 and \$5 per 1,000 btu. EOG is seeking additional authority to flare 80 mcf casinghead gas for an additional two years.

#### **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.
4. The True Grit 1H well is the only producing well in the Aguila Vado (Eagleford) Field in Waller County, Texas.
5. The area has a lack of infrastructure, particularly for gas gathering, processing and transmission.
6. The nearest pipeline that can accommodate gas from the well is located 2 miles from the True Grit 1H well.

7. Constructing a 2 mile pipeline would not be economical based on current gas prices.
8. 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.
9. On May 22, 2014, the Commission issued a Final Order in Oil & Gas Docket No. 05-0287730 granting EOG authority to continue to flare up to 290 mcf gas per day through March 10, 2016.
10. An exception to Statewide Rule 32 will enable EOG to continue to produce oil from the well.

**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 § 1.45.
3. Approval of the requested exception to Statewide Rule 32 to flare 80 mcf casinghead gas per day 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



Ryan Lammert  
Administrative Law Judge