



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0277892

THE APPLICATION OF PENN VIRGINIA OIL & GAS, LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CULPEPPER UNIT, WELL NO. 2H, EAGLEVILLE (EAGLE FORD-1) FIELD, GONZALES COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

DATE OF HEARING: September 26, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Mimi Winetroub

Penn Virginia Oil & Gas, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Penn Virginia Oil & Gas, LP ("Penn Virginia") requests an exception to Statewide Rule 32 to flare 135 MCFPD of casinghead gas from August 19, 2012, through September 25, 2012, from the Culpepper Unit, Well No. 2H, Eagleville (Eagle Ford-1) Field, Gonzales County, Texas.

Notice was provided to offset operators surrounding the above referenced lease. The application is unopposed and the examiners recommend approval of an exception to Statewide Rule 32, as requested by Penn Virginia.

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 MCFGPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, Penn Virginia is requesting to flare 135 MCFPD of casinghead gas from August 19, 2012, through September 25, 2012, from the Culpepper Unit, Well No. 2H, as provided by Statewide Rule 32(h).

The Culpepper Unit, Well No. 2H, is located in southern Gonzales County, approximately 23 miles southwest of the town of Gonzales, Texas. This area of the Eagleville (Eagle Ford-1) Field is undergoing rapid development and lacks existing oil and gas infra-structure for new gas production. The Culpepper Unit, Well No. 2H is located approximately 1,500 feet from the nearest gas gatherer in the area, Energy Transfer Company ("ETC").

Penn Virginia submitted a copy of the Commission Form W-2 filed for its Culpepper Unit, Well No. 2H, that was completed in February 2012. The well produced 531 BOPD, 174 MCFGPD and 315 BWPD with a gas-oil ratio of 327 cubic feet per barrel. Penn Virginia received administrative Permit No. 11110 to flare 120 MCFPD of casinghead gas from its Culpepper Unit, Well No. 2H. The permit was effective February 17, 2012, and expired on August 18, 2012, after three extensions, which totaled the maximum 180 days allowed by an administrative permit.

ETC completed the gas gathering line on September 25, 2012, which resulted in the flaring of gas for 38 days beyond the 180 days allowed by an administrative permit. Penn Virginia submitted a gross value summary statement for the Culpepper Unit, Well No. 2H, which showed that the value of the gas produced equaled slightly more than 1% of the combined gross oil and gas revenue. Penn Virginia requests an exception to Statewide Rule 32 to flare 135 MCFPD of casinghead gas from August 19, 2012, through September 25, 2012, from the Culpepper Unit, Well No. 2H.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. There were no protests to the application.
2. The Culpepper Unit, Well No. 2H, is located in southern Gonzales County, approximately 23 miles southwest of the town of Gonzales, Texas.

- a. This area of the Eagleville (Eagle Ford-1) Field is undergoing rapid development and lacks existing oil and gas infra-structure for new gas production.
 - b. The Culpepper Unit, Well No. 2H, was completed in February 2012 and produced 531 BOPD, 174 MCFGPD and 315 BWPD with a gas-oil ratio of 327 cubic feet per barrel.
 - c. The Culpepper Unit, Well No. 2H is located approximately 1,500 feet from the nearest gas gatherer in the area, Energy Transfer Company ("ETC").
3. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
- a. Penn Virginia Oil & Gas, LP ("Penn Virginia") received administrative Permit No. 11110 to flare 120 MCFPD of casinghead gas from its Culpepper Unit, Well No. 2H.
 - b. The permit was effective February 17, 2012, and expired on August 18, 2012, after three extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. An exception to Statewide Rule 32 to flare 135 MCFPD of casinghead gas from August 19, 2012, through September 25, 2012, from the Culpepper Unit, Well No. 2H, is appropriate.
- a. ETC completed the gas gathering line on September 25, 2012, which resulted in the flaring of gas for 38 days beyond the 180 days allowed by an administrative permit.
 - b. A gross value summary statement for the Culpepper Unit, Well No. 2H, shows that the value of the gas produced equaled slightly more than 1% of the combined gross oil and gas revenue.

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 authority pursuant to Statewide Rule 32 will prevent waste and will not harm correlative rights.

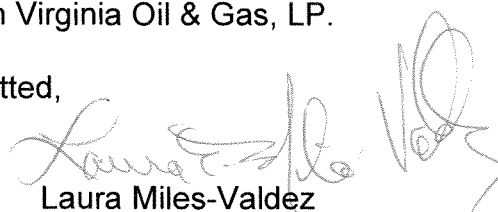
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to Statewide Rule 32 to flare 135 MCFPD of casinghead gas from August 19, 2012, through September 25, 2012, from the Culpepper Unit, Well No. 2H, as requested by Penn Virginia Oil & Gas, LP.

Respectfully submitted,



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Technical Examiner



Laura Miles-Valdez
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