



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0283974

THE APPLICATION OF COMSTOCK OIL & GAS, LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE NWR LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Marshall F. Enquist - Legal Examiner

DATE OF HEARING: September 12, 2013

APPEARANCES: **REPRESENTING:**

APPLICANT:

David Nelson
Jay Callarman

Comstock Oil & Gas, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Comstock Oil & Gas, LP ("Comstock") requests an exception to Statewide Rule 32 to flare casinghead gas from the NWR Lease, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas. Notice was provided to offset operators surrounding the above referenced lease.

The application is unopposed and the examiners recommend approval of the exception to Statewide Rule 32 to flare casinghead gas from the subject lease from the date the administratively granted flare permit expires through December 31, 2014.

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 shall be granted only in a final order signed by the Commission. In the context of the subject application, Comstock is requesting an

exception to flare casinghead gas produced from the subject lease, as provided by Statewide Rule 32(h).

The NWR Lease contains two horizontal drainhole wells that are completed in the Eagleville (Eagle Ford-1) Field, in southern Atascosa County and is located approximately 11 miles southeast of the town of Charlotte, Texas. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production. Due to the explosive rapid rate of drilling by Comstock and numerous other operators, there is a severe shortage of equipment, supplies, manpower and services available to construct and complete gas gathering pipelines.

Comstock was granted an exception to flare up to 45 MCFPD of casinghead gas from Well No. 1H, until March 26, 2014, in Final Order No. 01-0279716, effective March 26, 2013. Comstock received administrative Permit No. 13842 to flare 130 MCFPD of casinghead gas from Well No. 2H. The permit was effective June 11, 2013, and expires on October 25, 2013, after one extension, which totals 135 days and does not exceed the maximum 180 days allowed by an administratively granted flare permit. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing prior to the expiration of the administratively granted flare permit. Comstock has requested a hearing for the subject lease before the administratively granted flare permit expired.

The closest gas gathering pipeline in this area of Atascosa County is owned by Energy Transfer Company. Comstock estimated that a gas gathering line with an associated rental compressor and amine unit would be 1.5 miles in length and cost \$117 per foot for a total cost of \$930,000. The net gas revenue was calculated to be \$11,400, which would result in an operating loss of approximately \$918,000. Since the gas gathering line is uneconomic, Comstock requests an exception to flare a maximum of 150 MCFPD of casinghead gas from the subject lease from the expiration of the administratively granted flare permit through December 31, 2014.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten (10) days prior to the date of hearing and no protests to the application were received.
2. The NWR Lease contains two horizontal drainhole wells that are completed in the Eagleville (Eagle Ford-1) Field, in southern Atascosa County, Texas. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production.
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.

4. Comstock Oil & Gas, LP ("Comstock") was granted an exception to flare up to 45 MCFPD of casinghead gas from Well No. 1H, until March 26, 2014, in Final Order No. 01-0279716, effective March 26, 2013.
5. Comstock received administrative Permit No. 13842 to flare 130 MCFPD of casinghead gas from Well No. 2H. The permit was effective June 11, 2013, and expires on October 25, 2013, after one extension, which totals 135 days and does not exceed the maximum 180 days allowed by an administratively granted flare permit.
6. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing prior to the expiration of the administratively granted flare permit.
7. Comstock has requested a hearing for the subject well before the administratively granted flare permit expired.
- ~~8. There is ongoing development drilling to the Eagle Ford formation in this area of Atascosa County and the gas gathering infra-structure is continually being updated and expanded.~~
9. The closest gas gathering pipeline in this area of Atascosa County is owned by Energy Transfer Company.
 - a. Comstock estimated that a gas gathering line with an associated rental compressor and amine unit would be 1.5 miles in length and cost \$117 per foot for a total cost of \$930,000.
 - b. The net gas revenue was calculated to be \$11,400, which would result in an operating loss of approximately \$918,000.
 - c. The gas gathering line is uneconomic.
9. An exception to Statewide Rule 32 from the date the administratively granted flare permit expires through December 31, 2014, for the subject lease to flare casinghead gas is appropriate.
10. For the NWR Lease, Comstock requests to flare a maximum of 150 MCFPD of casinghead gas.

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, will not harm correlative rights and will promote development of the field.

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 from the date the administratively granted flare permit expires through December 31, 2014, for the subject lease, as requested by Comstock Oil & Gas, LP.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Marshall F. Enquist
Legal Examiner