



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 09-0280769

THE APPLICATION OF 3-T EXPLORATION, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SEAY LEASE, WELL NO. 1, RIDGE (CONGLOMERATE) FIELD, MONTAGUE COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

DATE OF HEARING: March 11, 2013

APPEARANCES: REPRESENTING:

APPLICANT:

Rick Johnston

3-T Exploration, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

3-T Exploration, Inc. ("3-T") requests a permanent exception to Statewide Rule 32 to flare 150 MCFPD of casinghead gas from the Seay Lease, Well No. 1, Ridge (Conglomerate) Field, Montague County, Texas. Since there is active development in the area, the examiners recommended that the exception be granted until June 30, 2014. 3-T did not consider this recommendation to be adverse.

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 for the Seay Lease, Well No. 1, as requested by 3-T.

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, 3-T is requesting to

flare 150 MCFPD of casinghead gas from February 26, 2013, through June 30, 2014, from the Seay Lease, Well No. 1, as provided by Statewide Rule 32(h).

The Seay Lease, Well No. 1 is located in northwestern Montague County, approximately 4 miles south of the town of Ringgold, Texas. This area of the Ridge (Conglomerate) Field is undergoing development and lacks existing oil and gas infrastructure for new gas production. The Seay Lease, Well No. 1, is located approximately 8 miles north of a Targa gas gathering pipeline and 6 miles north of a JL Davis gas gathering pipeline. 3-T estimated the pipeline installation costs to be \$382,000 and \$281,000, respectively.

3-T submitted a copy of the Commission Form W-2 filed for its Seay Lease, Well No. 1, that was completed in August 2012. The well produced 105 BOPD, 330 MCFGPD and 0 BWPD with a gas-oil ratio of 3,142 cubic feet per barrel. 3-T received administrative Permit No. 11929 to flare 350 MCFPD of casinghead gas from its Seay Lease, Well No. 1. The permit was effective August 27, 2012, and expired on February 25, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.

3-T expects to drill additional wells, which would increase the economic incentive for installing the gas gathering pipeline. 3-T requests an exception to Statewide Rule 32 to flare 150 MCFPD of casinghead gas from February 26, 2013, through June 30, 2014, from the Seay Lease, Well No. 1.

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 Seay Lease, Well No. 1, is located in northwestern Montague County, approximately 4 miles south of the town of Ringgold, Texas.
 - a. This area of the Ridge (Conglomerate) Field is undergoing development and lacks existing oil and gas infrastructure for new gas production.
 - b. The Seay Lease, Well No. 1, was completed in August 2012. The well produced 105 BOPD, 330 MCFGPD and 0 BWPD with a gas-oil ratio of 3,142 cubic feet per barrel.
 - c. The Seay Lease, Well No. 1, is located approximately 8 miles north of a Targa gas gathering pipeline and 6 miles north of a JL Davis gas gathering pipeline. The estimated pipeline installation costs are \$382,000 and \$281,000, respectively.

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. 3-T Exploration, Inc. ("3-T") received administrative Permit No. 11929 to flare 350 MCFPD of casinghead gas from its Seay Lease, Well No. 1.
 - b. The permit was effective August 27, 2012, and expired on February 25, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. An exception to Statewide Rule 32 to flare 150 MCFPD of casinghead gas from February 26, 2013, through June 30, 2014, from the Seay Lease, Well No. 1, is appropriate.


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 for the Seay Lease, Well No. 1, 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 150 MCFPD of casinghead gas from February 26, 2013, through June 30, 2014, from the Seay Lease, Well No. 1, as requested by 3-T Exploration, Inc.

Respectfully submitted,


Richard D. Atkins, P.E.
Technical Examiner


Michael Crnich
Legal Examiner