



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0294044

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

HEARD BY: Karl Caldwell – Technical Examiner
Terry Johnson – Hearings Examiner

ER & R PREPARED BY: Richard Eyster, P.G.

HEARING DATE: December 16, 2014

CONFERENCE DATE: March 10, 2015

APPEARANCES:

APPLICANT:
Richard D. Atkins, P.E.

REPRESENTING:
Comstock Oil & Gas, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Comstock Oil & Gas, LP ("Comstock"), is requesting an exception to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) for the NWR Lease, Eagleville (Eagleford-1) Field, Atascosa County, Texas. All offset operators in the field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Examiners recommend approval of the exception to Statewide Rule 32 to flare casinghead gas as requested by Comstock.

DISCUSSION OF EVIDENCE

Title 16, §3.32 of the Texas Administrative Code ("TAC") governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, 16 TAC §3.32(h) provides that an exception to flare casinghead gas in volumes

greater than fifty thousand cubic feet of natural gas per day (50 mcf/d) may be granted administratively for a period up to 180 days. Flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission.

The NWR Lease contains two horizontal drainhole wells (1H& 2H) that are completed in the Eagleville (Eagle Ford-1) Field, in southern Atascosa County and is located around 11 miles southeast of the town of Charlotte, Texas. The gas from this lease has 41,000 ppm H₂S. Although Comstock is not planning on drilling additional wells on this lease, this area of the Eagleville (Eagle Ford-1) Field is being rapidly developed and the existing gas gathering facilities can not keep pace with development. The closest pipeline to Comstock's lease that can accommodate sour gas is 1.5 miles away and owned by Regency Field Services LLC (Regency). Comstock estimated that construction of a 1.5 mile pipeline capable of accepting the H₂S gas with a rented compressor and amine unit would cost approximately \$1,031,488 and would not be economical, requiring Comstock to either flare or shut in production from the lease, possibly resulting in waste of hydrocarbon reserves.

A Final Order, No. 01-0283974, authorized Comstock to flare 150 thousand cubic feet per day (150 mcf/d), effective 10/26/2013 through 12/31/2014. Comstock is requesting an exception to flare casinghead gas at 150 mcf/d for a period of 24 months (2 years) from the subject lease from the expiration of the current permit (12/31/2014), until 01/01/17, when the well's gas production will fall below the 50 mcf/d threshold where a flaring exception will no longer be necessary. Comstock stated that a 18 month exception would not be considered adverse as it is expected that the well's gas production to be equal to, or less than, 50 mcf/d by mid-June of 2016 and the request for two years was to give Comstock a little more time for the wells to reach the 50 mcf/d at which time a flaring permit will no longer be necessary.

FINDINGS OF FACT

1. Proper Notice was given to all parties entitled to notice at least 10 days prior to the hearing. There were no protests to the application.
2. Statewide Rule 32 governs this application as it relates to the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission.
3. The NWR Lease contains two horizontal drainhole wells (1H & 2H) that are completed in the Eagleville (Eagle Ford-1) Field, in southern Atascosa County, Texas. The Applicant stated that there are no plans to drill additional wells on this lease.
4. There is a lack of H₂S gas gathering infrastructure in the area of the lease.

- a. The closest pipeline to the lease is approximately 1.5 miles from the lease.
 - b. Comstock estimated that construction of a 1.5 mile gas gathering line with a rented compressor and amine unit would cost approximately \$1,031,488.
 - c. Construction of a 1.5 mile pipeline would not be economical.
5. Comstock is seeking an exception to Statewide Rule 32 for flaring natural gas from the NWR Lease. A previous Final Order, Oil and Gas Docket No. 01-0283974, granted Comstock an exception to Statewide Rule 32 effective 10/26/2013 to 12/31/2014.
 6. Comstock requests an exception to flare casinghead gas at 150 mcf/d.
 7. An 18 month exception would not be considered adverse by the Applicant.

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. Proper notice was issued as required by all applicable statutes and regulatory codes.
3. The requested exception to flare 150 mcf/d for a period of 18 months from 01/01/2015 until 07/01/2016 meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h).

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 a maximum of 150 mcf/d of casinghead gas from 01/01/2015 until 07/01/2016 as requested by Comstock Oil & Gas, LP.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Terry Johnson
Hearings Examiner