



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0293483

THE APPLICATION OF BRIGHAM RESOURCES OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE RED CREST 319 1H WELL, HOEFS T-K (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Cecile Hanna – Hearings Examiner

HEARING DATE: December 5, 2014

CONFERENCE DATE: March 10, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

George Neale
Emeka Madu
Matt Weber
Reid Regan

Brigham Resources Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Brigham Resources Operating, LLC (Brigham) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) for the authority to flare gas from its Red Crest 319 Lease (No. 45027) Well No. 1H (API No. 42-389-34087). Constructing a pipeline connection for the well is not economical; therefore, Brigham seeks authority to flare 300 thousand cubic feet (MCF) of gas per day for a period of two years. The application was not protested. The Examiners recommend the exception be granted as requested by Brigham.

DISCUSSION OF THE EVIDENCE

Brigham completed its Red Crest 319 Lease Well No. 1H on April 19, 2014. On initial potential testing the well produced 426 barrels of oil and 361 MCF gas. From May through September 2014, the well produced an average of about 337 MCF gas per day, most of which was flared. About one-third of the produced gas was recycled to provide gas lift for the well. The gross estimated ultimate recovery of gas is 636.9 million cubic feet.

There is limited sales and transmission infrastructure in this part of Reeves County to market the casinghead gas produced from this well. On April 25, 2014, Brigham received authority to flare gas from the well (Permit No. 16502) for a period of 60 days. In its application for the administrative permit, Brigham indicated its intent to secure a right of way to lay a flow line. Brigham expected the well would be connected to a gas sales point within 180 days. Brigham requested and was granted additional flaring authority for a total of 180 days, the maximum allowed under Rule 32. The authority expired on October 25, 2014. On October 15, 2014, before the administrative authority expired, Brigham requested a hearing to extend its flaring authority.

Brigham identified the nearest gas sales point to be a PennTex facility located 4.5 miles to the north based on right-of-way route selection. The subject well is the only well on the 640-acre lease, and no further wells are currently planned. Brigham estimated the right-of-way cost to be \$150,000 and the pipeline construction costs to be about \$230,000. Pipeline construction would take several weeks. When asked why a two-year exception was being requested for pipeline construction that would only require a few weeks, Brigham acknowledged that it may not construct the pipeline due to the current economic environment.

At the hearing, Brigham did not provide evidence at the hearing regarding the economic viability of constructing a pipeline to sell the gas. The Examiners requested Brigham provide an economic analysis to justify its decision to not pursue a pipeline to sell the gas. On January 30, 2015, Brigham submitted late-filed exhibits containing its economic analysis, which increased pipeline costs to about \$619,000. Based on this information, Brigham concluded that, on an un-discounted basis, a pipeline would require more than 11 years to payout, which would be in 2026. Further, Brigham's analysis indicates that on or about December 2021, gas production would fall below 50 MCF per day, at which point it could obtain a permanent administrative exception to flare gas.

The remaining gross estimated ultimate recovery of oil from the well is 126.2 thousand barrels. Without a continued exception to flare gas, the well would have to be shut in and these reserves may be placed at risk of permanent loss. Therefore, Brigham requests a continued exception to Rule 32 to flare gas from the well.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. There were no protests to the application.
2. Brigham completed its Red Crest 319 Lease Well No. 1H on April 19, 2014, in the Hoefs T-K (Wolfcamp) Field.
 - a. On initial potential testing the well produced 426 barrels of oil and 361 MCF gas.
 - b. From May through September 2014, the well produced an average of about 337 MCF gas per day, most of which was flared. About one-third of the produced gas was recycled to provide gas lift for the well.
 - c. The estimated ultimate recovery of gas from the well is 636.9 million cubic feet. The remaining estimated ultimate recovery of oil from the well is 126.2 thousand barrels.
3. Brigham received authority to flare gas from the well (Permit No. 16502) for 180 days from April 25, 2014, to October 25, 2014. On October 15, 2014, before the administrative authority expired, Brigham requested a hearing to extend its flaring authority.
4. The nearest gas sales point is the PennTex facility located 4.5 to 4 miles to the north. Costs to construct a pipeline to the sales point range from \$380,000 to \$619,000.
5. On an un-discounted basis, the 4.5-mile pipeline would require more than 11 years to payout.
6. Construction of a pipeline is not economical for Brigham.
7. Without authorization to continue to flare gas, the well will be shut in, which will place the remaining oil reserves at risk of being wasted.

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. The requested exception to flare 300 MCF/D casinghead gas for the subject well for a period of two years meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

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 Brigham.

Respectfully submitted,



Paul Dubois
Technical Examiner



Cecile Hanna
Hearings Examiner