



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0294817

THE APPLICATION OF PIONEER NATURAL RESOURCES USA, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, SPRABERRY (TREND AREA) FIELD, MARTIN COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Terry Johnson – Legal Examiner

HEARING DATE: March 19, 2015
RECORD CLOSED: March 19, 2015
SUBMISSION DATE: May 27, 2015
CONFERENCE DATE: June 9, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

George Neale
Becky Lackey
Don Burris

Pioneer Nat'l. Res. USA, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This application is unopposed. Pioneer Natural Resources USA, Inc ("Pioneer") was the only party at the hearing.

Pursuant to 16 Tex. Admin. Code §3.32, Pioneer seeks an extended exception to flare casing-head gas from the following gas sales points: (1) Abraxas 30 A (Lease ID No. 08-43670); (2) Cook 21 & 22 / Butchee 22B (Lease ID No. 08-39126); (3) Hazelwood C (Lease ID No. 08-38122); (4) Key 9 (Lease ID No. 38793); (5) Louder 18 (Lease ID No. 08-38745); (6) Mays (Lease ID No. 08-37910); (7) Reese / Reese 35 (Lease ID No. 08-33178); (8) Rogers 42 (Lease ID No. 08-38840); (9) Sale Ranch G VTD Gas Meter #1300 (Lease ID No. 08-46343); (10) Sale Ranch H (Lease ID No. 22070); (11) Scharbauer N CTRL VTD Gas #13025 (Lease ID No. 08-32864); and (12) Williams D (Lease ID No. 08-22049) ("Subject Leases").

Pioneer requests authority to collectively vent or flare up to 1,425 MCFGD from the Subject Leases for two years, beginning on the expiration date of the subject leases' administrative flaring/venting authority.

On February 27, 2015, the Commission issued a Notice of Hearing ("NOH") for the subject application to the Service List created by Pioneer.

The subject application is unopposed and the Examiners recommend that it be approved, as requested by Pioneer.

DISCUSSION OF THE EVIDENCE

Applicable Rules

16 Tex. Admin. Code §3.32 ("SWR 32") governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Titled "Exceptions," SWR 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

Application History

Mr. Don Burris testified on behalf Pioneer. Mr. Burris is employed at Pioneer as a Director of Downstream Planning.

Pioneer submitted a simplified copy of the March 2015 Oil Proration Schedule that included only Pioneer's wells pertinent to the subject application.¹ Pioneer submitted a list of the regulatory leases that compose the relief sought in the subject application for the Subject Leases. In all, the subject application includes 21 regulatory leases (*i.e.*, Commission-approved Form P4s") and roughly 208 production wells.

Mr. Burris testified that the 21 regulatory leases are plumbed in a fashion where the casing-head gas produced by the 208 production wells is ultimately routed to one of the subject leases.² In other words, Pioneer seeks authority to flare casing-head gas encountered at each subject lease, which contains casing-head gas produced from numerous other leases that make-up the 21 regulatory leases identified in Pioneer Exhibit No. 3.

Mr. Burris testified that the subject leases were administratively granted authority to vent or flare casing-head gas at volumes ranging from 40 MCFGD to 600 MCFGD for a total of 180 days, expiring on January 11, 2015, for some leases and February 2, 2015 for others.³

¹ Pioneer Exh. No. 3.

² Testimony at 3:50 of audio recording.

³ Pioneer Exh. Nos. 4 through 15, Pgs. 2 through 7.

On March 16, 2015, Pioneer submitted letters to the Oil & Gas Divisionn requesting a flaring exception extension for each of the 12 gas sales points. Pioneer's March 16th letters indicate that it is assisting its gas purchaser with building new pipeline infrastructure in the area surrounding the 12 gas sales points. Furthermore, Pioneer's March 16th letters indicate that the 12 gas sales points are venting the following casing-head gas volumes on average, respectively:

<u>Gas Sales Point</u>	<u>Est. Avg. Vented Gas Volume (MCFGD)</u>
Abraxas 30 A	55
Cook 21 & 22 / Butchee 22B	170
Hazelwood C	200
Key 9	130
Louder 18	100
Mays	10
Reese / Reese 35	100
Rogers 42	50
Sale Ranch G VTD Gas Meter #1300	55
Sale Ranch H	40
Scharbauer N CTRL VTD Gas #13025	460
Williams D	55

Lastly, Pioneer submitted a table for each of the subject leases showing the daily measured volumes of vented gas from January 15 through March 15, 2015.⁴ In summary, the measured volumes depicted on Pioneer's Exhibit Numbers 4 through 15 for each subject lease support the estimated vented average volumes listed above, respectively.⁵ On December 19, 2014, Pioneer submitted its hearing request for the subject application.

Pioneer's Argument

Pioneer submitted an aerial map (the "Map") of the entire area covering the subject leases, which includes an area the size of roughly 6 ½ sections of land (*i.e.*, 4,160-acres).⁶ The purpose of the Map is to show the locations of the subject leases, the gas compressor stations, and the pipeline infrastructure throughout the 4,160-acre area (the "Area").

Mr. Burris testified that West Texas Gas ("WTG"), a gas purchaser in the Area, recently constructed a gas processing plant near the center of the Area that has a capacity of 240 million cubic feet of gas per day, of which Pioneer contributes 55 million cubic feet per day. Mr. Burris testified that WTG's plant has relieved some of the gas pipeline pressures in the area, but Pioneer still experiences the need to flare excess casing-head gas due to the lack of capacity in the Area's overall gas pipeline infrastructure.⁷

⁴ Pioneer Exh. Nos. 4 through 15, Pg. 8 (last page of each exhibit).

⁵ Testimony at 11:20.

⁶ Pioneer Exh. No. 16.

⁷ Testimony at 21:30.

Pioneer seeks relief in the captioned docket pursuant to SWR 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)...if the operator of a well or production facility presents information to show the necessity for the release. Necessity for the release includes, but is not limited to the following:

(D) For casinghead gas only, the unavailability of a gas pipeline or other marketing facility, or other purposes and uses authorized by law.

FINDINGS OF FACT

1. Pioneer Natural Resources USA, Inc ("Pioneer") requests an exception to flare casing-head gas from the leases described on Attachment "A" (the "Leases"), located in the Spraberry (Trend Area) Field, Martin County, Texas, pursuant to 16 Tex. Admin. Code §3.32 ("subject application").
2. On December 19, 2014, Pioneer submitted its request for a hearing on the merits for the subject application.
3. On February 27, 2015, Notice of Hearing was issued by the Commission for the subject application.
4. Notice of the subject application was provided to all operators that immediately offset the Leases.
5. The Leases are made of the following Commission-designated regulatory leases: (1) Abraxas 30 A (Lease ID No. 08-43670); (2) Cook 21 & 22 / Butchee 22B (Lease ID No. 08-39126); (3) Hazelwood C (Lease ID No. 08-38122); (4) Key 9 (Lease ID No. 38793); (5) Louder 18 (Lease ID No. 08-38745); (6) Mays (Lease ID No. 08-37910); (7) Reese / Reese 35 (Lease ID No. 08-33178); (8) Rogers 42 (Lease ID No. 08-38840); (9) Sale Ranch G VTD Gas Meter #1300 (Lease ID No. 08-46343); (10) Sale Ranch H (Lease ID No. 22070); (11) Scharbauer N CTRL VTD Gas #13025 (Lease ID No. 08-32864); and (12) Williams D (Lease ID No. 08-22049) (the "Flare Points").
6. Pioneer requests authority to collectively flare or vent up to 1,400,000 cubic feet of casinghead gas per day ("1,425 MCFGD") from the Leases for a period of two years from the expiration date of each Lease's 180-day administrative flaring authority.
7. The Leases were granted administrative authority by the Oil & Gas Division to vent or flare casing-head gas for up to 180-days.
8. The Leases' administrative flare/vent authority expired on one of the following dates: (1) January 11, 2015; or (2) February 2, 2015.

9. The Flare Points handle produced casing-head gas that originates from 21 regulatory leases and approximately 208 production wells.
10. Pioneer seeks authority to collectively flare or vent up to 1,425 MCFGD from the Leases due to inadequate capacity of the surrounding gas pipeline gathering and transport infrastructure.
11. Approval of the subject application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32(h).

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. Legally sufficient notice has been provided to all affected persons.
3. The requested authority to collectively flare or vent up to 1,425 MCFGD of casing-head gas derived from the Spraberry (Trend Area) Field, Martin County, Texas at the Leases for a period of two years satisfies the requirements of Title 16 TAC §3.32.

EXAMINERS' RECOMMENDATION

The examiners recommend that the Commission grant an exception to flare or vent up to 1,425 MCFGD of casing-head gas from the Leases located in the Spraberry (Trend Area) Field, Martin County, Texas for a period of two years.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Terry Johnson
Legal Examiner