



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 05-0296233**

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**THE APPLICATION OF NEW GULF RESOURCES, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE JOHNSON TRUSTS A LEASE, WELL NO. 1H, AGUILA VADO (EAGLEFORD) FIELD, GRIMES COUNTY, TEXAS**

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Randall Collins – Administrative Law Judge

**HEARING DATE:** August 4, 2015  
**RECORD CLOSED:** August 6, 2015  
**SUBMISSION DATE:** October 7, 2015  
**CONFERENCE DATE:** October 20, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

John Camp  
Tim Smith

New Gulf Resources, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Pursuant to 16 Tex. Admin. Code §3.32, New Gulf Resources, LLC ("New Gulf") seeks an exception to flare casinghead gas from the Johnson Trusts A Lease, Well No. 1H ("Subject Well"). New Gulf requests authority to vent or flare up to 180 MCFGD (MCFGD represents 1,000 cubic feet of gas per day), effective April 15, 2015, through March 31, 2016.

With regard to the instant case, the Examiners issued a letter to New Gulf on August 6, 2015, for clarification whether any operators in the subject field immediately offset the continuous tracts of land that make up the Subject Well's lease.

In response to the Examiners' August 6<sup>th</sup> letter, New Gulf replied via facsimile and confirmed that no operators exist as inquired by the Examiners.

The application is unopposed. The Examiners recommend that it be approved

## DISCUSSION OF THE EVIDENCE

### Applicable Rule

16 Tex. Admin. Code §3.32 (“SWR 32”) governs flaring 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

Tim Smith, consulting Petroleum Engineer, testified on behalf New Gulf Resources, LLC.

Notice of the subject application was sent by U.S. mail directed to operators of record that immediately offset the Subject Well, as well as the Oil and Gas Division. New Gulf was the only party to appear at the hearing.

The Subject Well was administratively granted authority to flare up to 180 MCFGD from the Subject Well for a period of 180 days, beginning on October 15, 2014, and ending on April 14, 2015 (Permit No. 19372).<sup>1</sup> On March 23, 2015, New Gulf timely submitted its request hearing request for the captioned docket.<sup>2</sup>

New Gulf became operator of record for the Subject Well in May 2014. Prior to New Gulf’s ownership of the Subject Well, Halcon Operating Co., Inc. was its operator of record.

After a hearing on December 4, 2013, Halcon was granted authority to flare up to 100 MCFGD from the Subject Well from October 15, 2013, through October 14, 2014.<sup>3</sup> New Gulf’s Exh. No. 3 indicates that Halcon’s need in Oil and Gas Docket No. 05-0283004 was based on poor economics – similar to New Gulf’s argument in the subject application.

### Applicant’s Argument

The Subject Well is located on a lease-block that spans roughly 9,500-acres. New Gulf argues that the necessity for its requested relief in the subject application is that it would be uneconomic for New Gulf to build a gas pipeline from the Subject Well to the nearest gas pipeline located 2 miles to the northwest. Therefore, in order to continue producing liquids from the well New Gulf requests that it be granted an additional one year flaring exception.

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<sup>1</sup> New Gulf Exh. No. 1.

<sup>2</sup> New Gulf Exh. No. 2.

<sup>3</sup> New Gulf Exh. No. 3. – Letter from New Gulf to the Commission that references Final Order No. 05-0283004: Application for Exception to Statewide Rule 32 for the Johnson Trust A-1H Well, Aguila Vado (Eagleford) Field, Grimes County, Texas.

New Gulf believes that its requested relief in the immediate case will allow it sufficient time to evaluate results from its exploration and developmental operations on the Subject Well's lease.<sup>4</sup>

### **FINDINGS OF FACT**

1. New Gulf Resources, LLC ("New Gulf") seeks an exception to flare casinghead gas derived from the Aguila Vado (Eagleford) Field, Grimes County, Texas, through the Johnson Trusts A Lease, Well No. 1H ("Subject Well") (collectively "Subject Application").
2. Sufficient notice of the Subject Application was made on July 1, 2015.
3. New Gulf was the only party that attended the hearing held for the Subject Application.
4. New Gulf requests to flare up to 180 MCFGD (MCFGD represents 1,000 cubic feet of gas per day) from the Subject Well, effective April 15, 2015, through March 31, 2016.
5. New Gulf received 180 days of administrative authority to vent or flare a maximum of 180 MCFGD from the Subject Well, effective October 15, 2014 through April 14, 2015 (Permit No. 19372).
6. The 180-day administrative vent/flare authority for Permit No. 19372 expired on April 14, 2015.
7. On March 23, 2015, New Gulf submitted its written request for a hearing on the Subject Application.
8. The necessity for flaring casinghead gas from the Subject Well is because it is not economically viable for New Gulf to build a gas transport pipeline from the Subject Well to the nearest gas market pipeline.
9. New Gulf's requested relief in the Subject Application will provide it additional time to evaluate results from its exploration and developmental operations on the Subject Well's lease.
10. Approval of the subject application is reasonable and appropriate, in accordance with 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.

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<sup>4</sup> New Gulf Exh. No. 4 – Summary, Background and Need for SWR 32 Exception from the Subject Well for 12 months.

3. The requested authority to flare or vent up to 180 MCFGD of casing-head gas derived from the Aguila Vado (Eagleford) Field, Grimes County, Texas, through the Johnson Trusts A Lease, Well No. 1H, effective April 15, 2015, through March 31, 2016, 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 180 MCFGD of casing-head gas from the Subject Well, located in the Aguila Vado (Eagleford) Field, Grimes County, Texas, effective April 15, 2015, through March 31, 2016.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Randall Collins  
Administrative Law Judge