



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0297977

THE APPLICATION OF ATLAS EAGLE FORD OPERATING CO., LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, VARIOUS TANK BATTERIES (GROUP 1), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA, TEXAS

OIL AND GAS DOCKET NO. 01-0297978

THE APPLICATION OF ATLAS EAGLE FORD OPERATING CO., LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, VARIOUS TANK BATTERIES (GROUP 2), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA, TEXAS

OIL AND GAS DOCKET NO. 01-0297979

THE APPLICATION OF ATLAS EAGLE FORD OPERATING CO., LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, VARIOUS TANK BATTERIES (GROUP 3), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA, TEXAS

OIL AND GAS DOCKET NO. 01-0297980

THE APPLICATION OF ATLAS EAGLE FORD OPERATING CO., LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, VARIOUS TANK BATTERIES (GROUP 4), EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: November 9, 2015
RECORD CLOSED: November 9, 2015
SUBMISSION DATE: November 17, 2015
CONFERENCE DATE: December 8, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Olga Kobzar
John Hicks
Julie Harris
Caleb Francis

Atlas Eagle Ford Operating Co., LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The captioned dockets were heard on a joint record at the November 9th hearing. Pursuant to 16 Tex. Admin. Code §3.32, Atlas seeks authority to continue flaring casing-head gas for two years from fourteen flare points at existing tank batteries on the subject leases at volumes that range from _ per month to _ per month, (*i.e.* 100 to 500 MCFG per day) effective the expiration date listed for each subject lease's respective administrative flaring permit.¹

Notice of the captioned dockets were provided to the operators of record that immediately offset the subject leases on October 8, 2015.²

The applications are unopposed and the Examiners recommend that they be approved, as requested by Atlas Eagle Ford Operating Co., LLC ("Atlas").

DISCUSSION OF THE EVIDENCE

Julie Harris, a Regulatory Manager at Atlas, testified as a fact witness on behalf of Atlas. Caleb Francis, a Operations Manager, testified as an expert witness in Field Operations and Reservoir Engineering on behalf of Atlas.

Applicable Rules

In general, 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.

¹ See Appendix A attached herewith. Appendix A is a compilation data taken from Atlas Exh. Nos. 6 through 10.

² See October 8, 2015, Notice of Hearing for each application with audio recording at 1:46.

Application Background

Ms. Harris testified that Atlas acquired the Subject Leases in late-2014. The Subject Leases contain 15 existing wells (Subject Wells) that are completed in the Eagleville (Eagle Ford-1) Field (Subject Field). The Subject Wells are classified as oil wells.³ While the Subject Wells chiefly produce oil, they also produce sour casing-head gas as a result of its dissolution out of the oil at the surface.

Atlas received administrative approval from the Oil and Gas Division to flare casing-head gas from each of the Subject Leases as follows:⁴

<u>Lease Name</u>	<u>Volume (MCFGD)</u>	<u>Effective Date</u>	<u>Expiration Date</u>
1. Atascosa Unit	100	01/01/2015	10/16/2015
2. Cap Unit	250	01/01/2015	09/13/2015
3. Dobie Martin	250	01/01/2015	09/13/2015
4. Grace Unit	500	01/01/2015	09/13/2015
5. Papa Unit	400	08/09/2015	11/07/2015
6. Tiro Unit	100	01/01/2015	09/13/2015
7. Worden Unit	250	01/01/2015	10/16/2015
8. Caty Unit	250	01/01/2015	10/16/2015
9. Jason Unit	350	03/02/2015	09/13/2015
10. RNG Unit	100	01/01/2015	09/13/2015
11. Skeeter Unit	150	01/01/2015	10/16/2015
12. F Crain Unit	250	03/02/2015	10/16/2015
13. Jimmy Unit	150	01/01/2015	09/13/2015
14. Marietta Unit	250	12/01/2014	10/16/2015
15. Mildred Unit	200	08/09/2015	11/07/2015

Statewide Rule 32(h) provides operators the ability to flare for up to 180-days administratively. Although many of the Subject Leases were granted flaring permits that allow it to flare more than 180-days, Atlas received revised flaring permits for the Subject Leases to reflect the actual days flared. In each instance, Atlas did not flare beyond 180-days.⁵

Atlas submitted its hearing request for the Subject Leases on August 19, 2015. Atlas indicated that it chose to request a hearing on the subject applications because it was aware that it would need more than 180-days of flaring authority.

The flare points in this application are located at the pad site that was originally constructed for the Subject Wells' surface location. As a result, not all flare points for the Subject Leases are located on the respective lease (e.g. the Atascosa Unit's flare point is situated

³ Atlas Exh. No. 2 – Excerpt of the Subject Field's Proration Schedule.

⁴ Atlas Exh. No. 6.

⁵ *Id.*

on the immediately adjacent Mildred Unit).⁶ Nonetheless, Ms. Harris testified that all production from the Subject Wells is measured and attributed to each wells' respective lease.⁷

Atlas's Argument

Ms. Harris testified that the need for Atlas's requested relief is largely based on Regency's plant encountering intermittent interruptions that require it to shut-in the plant, combined with the Subject Wells' periodic production increases and additional wells being added as Atlas continues to develop the Subject Leases. Atlas argues that it is left with one of two options – either (1) shut-in the Subject Wells until Regency's plant resumes operations, or (2) flare the Subject Wells' casing-head gas to avert shutting them in.

Atlas submitted a table that lists its reasons for flaring on the Subject Leases.⁸ The table indicates that Regency's plant was periodically shut-down on numerous occasions between March and October 2015, due to ice plugs in the gas pipeline, compressor shut-downs, valve replacements, and various plant repairs. As a result, Atlas consequently chose to flare casing-head gas from the Subject Wells to avoid shutting them in. Noteworthy, the above administrative flaring permits were granted to Atlas based on the Regency Plant being shut down.⁹

Ninety-five percent of the economic value of hydrocarbons produced from the subject field on the subject leases consists of liquid hydrocarbons, while the remaining five percent consists of sour casing-head gas. All casing-head gas production from the Subject Leases is transported through an intricate gas pipeline infrastructure and delivered to Regency's gas plant, which is located over 20 miles south of the Subject Leases.¹⁰

In support of its position, Atlas submitted a copy of the Examiners' Report and Recommendation made for Oil and Gas Docket Nos. 08-0296164 & 08-0296324 – Applications of Jetta Operating Company, Inc. for Exception to Statewide Rule 32 for Various Leases and Various Wells in the Scott (Cherry Canyon) and Two Georges (Bone Spring) Fields, respectively. Atlas argues that in those cases, Jetta obtained authorization to flare casing-head gas from 17 leases for a period of two years. In addition, Jetta's requested flare volumes were based on its existing wells in addition to estimated future development on its leases.¹¹

FINDINGS OF FACT

1. Atlas Eagle Ford Operating, LLC (Atlas) seeks exception to 16 Texas Admin. Code §3.32 to flare casing-head gas derived from the Eagleville (Eagle Ford-1) Field at the leases, described in their entirety on Appendix A attached herewith (Subject Leases), through the expiration date listed, and at the volumes described, as listed on Appendix A.

⁶ Atlas Exh. No. 4.

⁷ Testimony at 17:30.

⁸ Atlas Exh. No. 5.

⁹ See Atlas Exh. No. 6. The remarks on each of the Subject Leases' flaring permit indicates the Regency Plant is shutdown as the basis for the flaring exception.

¹⁰ Atlas Exh. No. 3.

¹¹ Atlas Exh. No. 11. Pg. 4, ¶ 1.

2. Notice of Hearing was provided to all immediate offsetting operators adjacent to the Subject Leases in Oil & Gas Docket Nos. 01-0297977, 01-0297978, 01-0297979, and 01-0297980 (Subject Applications), heard on November 9, 2015.
3. Atlas received administrative authority to flare casing-head gas volumes beyond 50 MCFGD on the Subject Leases prior to the hearing held on November 9, 2015 (MCFGD represents 1,000 cubic feet of gas per day).
4. Atlas's administrative authority to flare from each of the Subject Leases expired, as referenced in the table on page three of the Examiners' Report and Recommendation made for the Subject Applications.
5. Atlas submitted hearing requests to the Commission for the Subject Applications on August 19, 2015.
6. Atlas has shown reasonable necessity for flaring beyond 180-days at volumes above 50 MCFGD per day in the Subject Applications on the Subject Leases for a two year period.
7. Approval of the Subject Applications is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32

CONCLUSIONS OF LAW

1. Resolution of the Subject Applications 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 rates and time frames to flare casing-head gas, as described in Finding of Fact No. 1, satisfies the requirements of Title 16 TAC §§3.32.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant exceptions to flare up casing-head gas from the Subject Leases as described in Finding of Fact No. 1 above.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Ryan Lammert
Administrative Law Judge

APPENDIX A

GROUP 1

<u>Lease Name</u>	<u>Permit No.</u>	<u>Expiration</u>	<u>Rate (mcf/d)</u>
Atascosa 601 Unit	22030	10/16/2015	100
Cap Unit	21199	9/13/2015	250
Dobie Martin Unit	21201	9/13/2015	250
Grace Unit	21203	9/13/2015	500
Papa Unit	23419	11/7/2015	400
Tiro Unit	21207	9/13/2015	100
Worden Unit	21126	10/16/2015	250

GROUP 2

<u>Lease Name</u>	<u>Permit No.</u>	<u>Expiration</u>	<u>Rate (mcf/d)</u>
Caty Unit	21125	10/16/2015	250
Jason Unit	21208	9/13/2015	350
RNG Unit	21205	9/13/2015	100
Skeeter Unit	22022	10/16/2015	150

GROUP 3

<u>Lease Name</u>	<u>Permit No.</u>	<u>Expiration</u>	<u>Rate (mcf/d)</u>
F Crain Unit	21202	10/16/2015	250
Jimmy Unit	21204	9/13/2015	150
Marietta Unit	20394	10/16/2015	250

GROUP 4

<u>Lease Name</u>	<u>Permit No.</u>	<u>Expiration</u>	<u>Rate (mcf/d)</u>
Mildred Unit	23418	11/7/2015	200