



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0300491

THE APPLICATION OF CAPITAN ENERGY, INC. FOR EXCEPTIONS TO STATEWIDE RULE 32 FOR VARIOUS LEASES, FORD, WEST (WOLFCAMP) FIELD, CULBERSON COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Dana Lewis – Administrative Law Judge

HEARING DATE: July 13, 2016

CONFERENCE DATE: September 27, 2016

APPEARANCES:

George Neale
Donna Chandler
Steve Davis

Capitan Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Capitan Energy, Inc. (“Capitan”) seeks exceptions to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas produced from 22 wells it operates in the Ford, West (Wolfcamp) Field, Culberson County, Texas. The subject gas wells produce significant quantities of condensate at the surface, which is the economic driver of production. The wells are connected to a gas gathering, sales and transmission system. However, on December 3, 2015, a catastrophic fire at the nearby Ramsey gas processing plant has drastically reduced Capitan’s ability to sell natural gas produced from its leases in the Ford, West (Wolfcamp) Field, a situation that also affects other operators in the area. In April and May 2016, Capitan flared about 52 million cubic feet (MMCF) of gas from the subject wells, which was about 52 percent of the gas produced. Capitan testified that shutting-in the wells may harm reservoir permeability and result in loss of hydrocarbon reserves. Therefore, Capitan seeks authority to flare gas to maintain condensate production, and requests authority to flare an aggregate 47.61 MMCF gas per day for a period of two years.

DISCUSSION OF THE EVIDENCE

The 22 gas wells subject to this docket produce from the Ford, West (Wolfcamp) Field in Culberson County, Texas. The subject gas wells produce significant quantities of condensate at the surface, which is the economic driver of production. The wells are connected to gas gathering lines that feed to the Ramsey Gas Plant, about 10 miles to the north. On December 3, 2015, an explosion and fire occurred at the Ramsey Gas Plant. Since then, Capitan's ability to sell gas from the subject wells has been severely reduced. Capitan does have the ability to sell some of its gas into a nearby pipeline owned by Anadarko, although with the loss of the Ramsey Gas Plant the Anadarko line faces significant capacity/pressure demands. The wells produce large quantities of water, also. Capitan testified that shutting-in the wells or otherwise reducing production of liquids could harm the reservoir permeability, negatively impacting the ultimate hydrocarbon recovery reservoir.

Capitan requests exceptions to flare gas from the 22 wells in the Ford, West (Wolfcamp) Field in Culberson County, Texas, which will enable Capitan to continue to produce condensate from the wells and prevent degradation of reservoir permeability. Generally, Statewide Rule 32 governs the utilization for, legal purposes, of natural gas produced under the jurisdiction of the Railroad Commission. Comstock seeks relief in the captioned docket pursuant to Statewide Rule 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...

Statewide Rule 32(h)(4) 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.

Because Capitan requests an exception for more than 180 days and to flare more than 50 mcf of hydrocarbon gas per day, the procedure to address Capitan's request for an exception is through a hearing resulting in a final order signed by the Commission.

Capitan has applied for and received administrative authority to flare gas from the subject wells. Most of these permits were originally requested on or about December 3, 2015, following the Ramsey Gas Plant fire. These permits have been renewed for a total of 180 days, the maximum amount of time allowed by Statewide Rule 32. By a request for hearing dated May 9, 2016, Capitan now seeks to extend these exceptions for two years.

In April and May, 2016, the subject wells produced about 100.381 MMCF gas, and Capitan flared about 52 percent of the gas, or 52.427 MMCF. However, during this time, any one well may have flared from about 20 percent to 100 percent of its produced gas. Therefore,

Capitan seeks authority to flare gas from each well based on the daily gas production rate for May 2016, with an added 10 percent buffer, as tabulated below:

Well	Gas ID	Flare Permit No.	Expiration Date	Rate Requested (MCF/D)
Alice Fee 34 #1H	279309	25549	6/30/2016	2,100
Cliff Fee 4 #1H	279788	26579	6/30/2016	3,200
Dale State #1	266036	24961	6/1/2016	350
Dorothy State 12 #1H	277500	24958	6/1/2016	1,000
Georgette State #2H	277487	24951	6/1/2016	3,000
J. S. Blair Fee 2 #1H	279787	26580	6/2/2016	3,000
James Fee 6 #1H	279288	24953	6/1/2016	1,500
Jess Fee 40 #2H	812483*	27040	8/31/2016	250
Karen Fee 17 #1H	277679	24952	6/1/2016	3,000
Lauren State 30 #1H	276194	24954	6/1/2016	1,800
Mother Fee 28 #1H	279887	25548	6/30/2016	2,400
Roxanne Fee 46 #1H	279347	25147	6/28/2016	2,500
Rylan Fee 44 #1H	277501	24956	6/1/2016	1,800
Scott Fee 36 #1H	276168	24955	6/1/2016	1,700
Shelly Fee 40 #1H	279456	25148	6/28/2016	1,500
State J. E. Liles 6 #1H	279686	25150	5/13/2016	2,600
State Mattie 2 #1H	279784	26356	5/29/2016	3,000
State Mike 3 #1H	279777	26355	5/29/2016	3,200
Tyson Fee 44 #1H	276158	24957	6/1/2016	1,600
W A State #1H	271821	24962	6/1/2016	0
W A State #2H	276149	24960	6/1/2016	2,300
W A State #3H	279156	24950	6/1/2016	3,800

* Drilling Permit No.

Thus Capitan is seeking authority to flare up to 45.6 MMCF gas per day from the subject wells. The W A State Well No. 1H was producing at the time the hearing was requested. At the hearing, Capitan stated that the well was no longer producing and is not requesting authority to flare gas from the well.¹

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing.

¹ Capitan Exh. No. 10.

2. The 22 gas wells subject to this docket produce from the Ford, West (Wolfcamp) Field in Culberson County, Texas.
3. The subject gas wells produce significant quantities of condensate at the surface, which is the economic driver of production.
4. The wells are connected to gas gathering lines that feed to the Ramsey Gas Plant, about 10 miles to the north.
5. On December 3, 2015, an explosion and fire occurred at the Ramsey Gas Plant. Since then, Capitan's ability to sell gas from the subject wells has been severely reduced.
6. Shutting-in the wells or otherwise reducing production of liquids could harm the reservoir permeability, negatively impacting the ultimate hydrocarbon recovery reservoir.
7. Capitan requests exceptions to flare gas from the 22 wells in the Ford, West (Wolfcamp) Field in Culberson County, Texas, which will enable Capitan to continue to produce condensate from the wells and prevent degradation of reservoir permeability.
8. Capitan has applied for and received administrative authority to flare gas from the subject wells. These permits have been renewed for a total of 180 days, the maximum amount of time allowed by Statewide Rule 32.
9. By a request for hearing dated May 9, 2016, Capitan now seeks to extend these exceptions for two years.
10. In April and May, 2016, the subject wells produced about 100.381 MMCF gas, and Capitan flared about 52 percent of the gas, or 52.427 MMCF, and during this time, any one well may have flared from about 20 percent to 100 percent of its produced gas.
11. Capitan seeks authority to flare gas from each well based on the daily gas production rate for May 2016, with an added 10 percent buffer, resulting in a requested flare authority of 45.6 MMCF gas per day.
12. This flaring authority will allow Capitan to continue to produce liquid hydrocarbons from the well and will prevent potential harm to the reservoir.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code §§ 1.43 and 1.45.

3. Capitan has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding the requested authority to flare gas produced from the wells connected to the subject flare points.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Capitan Energy, Inc. for authority to flare gas from various wells in the Ford, West (Wolfcamp) Field, Culberson County, Texas.

Respectfully submitted,

Paul Dubois
Technical Examiner

Dana Lewis
Administrative Law Judge