



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0301642

THE APPLICATION OF BLUESTONE NATURAL RESOURCES II, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PUCKETT TRUSTS C STATE LEASE, WELL NO. 1H, WOLFBONE (TREND AREA) FIELD, PECOS COUNTY, TEXAS.

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: November 1, 2016

CONFERENCE DATE: December 6, 2016

APPEARANCES:

Joshua Furrh

REPRESENTING:

Bluestone Natural Resources II, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Bluestone Natural Resources II, LLC ("Bluestone")(Operator No. 076861) requests an exception to flare gas from its Puckett Trusts C State Lease (No. 08-46450), Well No. 1H (API No. 42-371-39276) in the Wolfbone (Trend Area) Field, Pecos County, Texas. The well produces about 60 thousand cubic feet ("mcf") of gas per day, and the distance to the nearest gas sales point is 1.1 miles. Bluestone does not believe that at this time it is economic to build a pipeline to get the produced gas to market. Therefore, Bluestone requests authority to flare 60 mcf gas per day for a period of two years from the subject well. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Bluestone requests an exception to flare gas from its Puckett Trusts C State Lease (No. 08-46450), Well No. 1H in the Wolfbone (Trend Area) Field, Pecos County, Texas. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the

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

The subject well was completed on January 31, 2015, by Quicksilver Resources. Bluestone became the operator of the well in April 2016. Bluestone obtained administrative authority to flare gas from the well (Permit No. 26998) from April 1, 2016 through September 29, 2016. The permit authorizes Bluestone to flare up to 60 mcf gas per day from the well. On September 8, 2016, Bluestone requested a hearing to extend the authority to flare gas from the subject well for a period of two years.

The subject well is located in an isolated portion of Pecos County that has not yet seen much oil and gas development. The nearest gas gathering pipelines are more than 1 mile from the subject well. Bluestone contends that it is currently not economical to build a pipeline to bring the produced casinghead gas to market, as the well produces less than 60 mcf gas per day. Therefore, Bluestone requests authority to flare the gas so it can continue to produce liquid hydrocarbons from the well.

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.
2. The Puckett Trusts C State Lease (No. 08-46450), Well No. 1H (API No. 42-371-39276) was completed by Quicksilver Resources in the Wolfbone (Trend Area) Field, Pecos County, Texas, on January 31, 2015.
3. Bluestone became the operator of the well in April 2016.
4. Bluestone obtained administrative authority to flare gas from the well (Permit No. 26998) from April 1, 2016 through September 29, 2016. The permit authorizes Bluestone to flare up to 60 mcf gas per day from the well.

5. On September 8, 2016, Bluestone requested a hearing to extend the authority to flare gas from the subject well for a period of two years.
6. The subject well is located in an isolated portion of Pecos County that has not yet seen much oil and gas development. The nearest gas gathering pipelines are more than 1 mile from the subject well.
7. It is currently not economical to build a pipeline to bring the produced casinghead gas to market, as the well produces less than 60 mcf gas per day.
8. Authority to flare the produced gas will allow Bluestone to continue to produce liquid hydrocarbons from the well.

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. Bluestone Natural Resources II, LLC has met the requirements in 16 Tex. Admin. Code § 3.32 for exceptions to the limitations in that section regarding the requested authority to flare gas produced from the subject leases.

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 Bluestone Natural Resources II, LLC for the exceptions to Statewide Rule 32 requested for the Puckett Trusts C State Lease Well No. 1H in the Wolfbone (Trend Area) Field, Pecos County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Administrative Law Judge