



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 8A-0301755

THE APPLICATION OF WALSH PETROLEUM, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HIGGINBOTHAM "A" LEASE, WINBERT LEASE, CLAWATER LEASE, WEAVER UNIT, HAMILTON UNIT AND WATSON LEASE, BRAHANEY FIELD, YOAKUM COUNTY, TEXAS.

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

HEARING DATE: November 1, 2016

CONFERENCE DATE: December 6, 2016

APPEARANCES:

Barry Hagemann

REPRESENTING:

Walsh Petroleum, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Walsh Petroleum, Inc. ("Walsh") (Operator No. 894720) requests an exception to flare gas from six leases in the Brahaney Field, Yokum County, Texas. Casinghead gas produced from the leases is connected to gas sales infrastructure. However, the gas production from the field has increased recently, and the purchaser's gathering system is constrained by high pressure and capacity issues. While gas pipeline pressures are unstable Walsh must either flare the excess gas or shut-in the wells. The gas purchaser is working to resolve the pressure and capacity issues. Therefore, Walsh requests authority to flare gas for a period of two years from the following leases:

1. 500 thousand cubic feet ("mcf") of gas per day ("mcf/d") from the Higginbotham "A" Lease (No. 8A-69677);
2. 800 mcf/d from the Winbert Lease (No. 8A-70158);
3. 200 mcf/d from the Clawater Lease (No. 8A-70226);

4. 350 mcf/d from the Hamilton Unit (No. 8A-70294);
5. 200 mcf/d from the Watson Lease (No. 8A-70357); and
6. 500 mcf/d from the Weaver Unit (No. 8A-70365).

The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Walsh requests an exception to flare gas from the six leases identified above, all of which produce oil and casinghead gas from the Brahaney Field in Yoakum County, Texas. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Walsh 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 Walsh requests an exception for more than 180 days and to flare more than 50 mcf of hydrocarbon gas per day, the procedure to address Walsh's request for an exception is through a hearing resulting in a final order signed by the Commission.

The Brahaney Field is over 70 years old. The reservoir pressure is depleted and the wells produce large volumes of water. The field has seen continued development, with production increasing in late 2015 and early 2016. In the last few years the capacity of the gas gathering system, operated by Targa Midstream Services, LLC ("Targa") has been strained by the new production. Targa is updating the system with new 10-inch polyethylene lines. However, the new production and fluctuating system pressures continue to require Walsh to either shut-in the wells or flare the produced gas.

Walsh has obtained administrative flare permits for the subject leases. The administrative flare permits have been renewed for the maximum 180 days. Prior to the expiration of the administrative flare permits Walsh requested a hearing to extend the authority by a Final Order from the Commission. The existing flare permits are as follows:

1. Higginbotham "A" Lease, Permit No. 26835, from April 28, 2016 through October 27, 2016.
2. Winbert Lease, Permit No. 26836, from April 28, 2016 through October 27, 2016.
3. Clawwater Lease, Permit No. 26837, from April 28, 2016 through October 27, 2016.
4. Hamilton Unit, Permit No. 26839, from April 28, 2016 through October 27, 2016.
5. Watson Lease, Permit No. 27130, from June 1, 2016 through November 29, 2016.
6. Weaver Unit, Permit No. 26838, from April 28, 2016 through October 27, 2016.

Walsh has built its own infrastructure of gas compressors and coolers to enable more gas to enter Targa's gathering system. Walsh has reduced flare volumes by 53 percent since July 2016. However, continued period flaring is necessary due to the continued growth in production and the existing gas gathering system limitations. Walsh therefore requests authority to flare gas from the subject leases for a period of two years.

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 subject application concerns six leases that produce oil and casinghead gas from the Brahaney Field in Yoakum County, Texas: Higginbotham "A" Lease (No. 8A-69677); Winbert Lease (No. 8A-70158); Clawwater Lease (No. 8A-70226); Hamilton Unit (No. 8A-70294); Watson Lease (No. 8A-70357); and Weaver Unit (No. 8A-70365).
3. Recent well completions have increased gas production.
4. Increased gas production has lead to capacity and pressure stabilization problems in Targa Midstream Services, LLC's gas gathering system.
5. Targa Midstream Services, LLC is working to resolve the capacity and pressure stability problems.
6. Walsh Petroleum, Inc. has improved its gas infrastructure, which has enabled Walsh to reduce flare volumes by 53 percent since July 2016.
7. Authority to flare gas will allow Walsh to continue to produce liquid hydrocarbons from the wells when pipeline pressures prevent gas sales.

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. Walsh Petroleum, Inc. 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 Walsh Petroleum, Inc. for the exceptions to Statewide Rule 32 requested for its facilities in the Brahaney Field, Yoakum County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Administrative Law Judge