



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NOS. 08-0300322, 08-0300096, 08-0302038 AND 08-0302039

**THE APPLICATION OF XTO ENERGY, INC. FOR EXCEPTIONS TO STATEWIDE
RULE 32 FOR VARIOUS FLARE POINTS ON VARIOUS LEASES IN VARIOUS
FIELDS, ANDREWS, CRANE AND WINKLER COUNTIES, TEXAS**

HEARD BY: Paul Dubois – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: December 8, 2016

CONFERENCE DATE: January 24, 2016

APPEARANCES:

David Gross
Dale E. Miller

REPRESENTING:

XTO Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

XTO Energy, Inc. ("XTO") seeks exception to 16 TAC §3.32 to flare gas on an emergency basis as needed for the four different dockets that were called separately but heard on the same date as described below. All of the facilities are connected to sales lines and flaring is limited to intermittent emergency conditions, such as compressor failure, pipeline capacity limitations, maintenance down-time, or disruptive events. This authority will ease XTO's administrative burden to file for exceptions after individual events of 24 or more hours of duration. XTO requests two-year exceptions be granted as follows: (1) 3,200 MCFD total for the JE Parker TB2 and VRU flare point, Lease No. 08-45616, in the Three Bar (Wichita) Field, Andrews County, Texas as identified for Docket No. 08-0300096; (2) 6,800 MCFD total for the JE Parker TB1, TB2 and VRU flare point, Commingle Permit No. 08-4596, in the Martin (Consolidated), Martin (Ellenburger), Martin (McKee), Martin (Second Simpson Sd.) and Three Bar (Wichita) Fields, Andrews County, Texas as identified for Docket No. 08-0300322; (3) 1,250 MCFD total for the Cordona Lake Unit Sta. #4 and Cordona Lake CTB, VRU & 2 Stg. Comp. flare points, Commingle Permit No. 08-8321, in the Cordona Lake and Cordona Lake (San Angelo) Fields, Crane County, Texas as identified for Docket No. 08-0302038 and (4) 4,000 MCFD total for the Univ Blk 20/21 CTB flare point, Commingle Permit No. 08-6786, in the Two Georges (Bone Spring) Field, Winkler County as identified for Docket No. 08-0302039.

Although the dockets were consolidated for hearing, individual proposed Final Orders were prepared for each. All four dockets are very similar in nature and are therefore being described together as a whole in this examiners report and recommendation.

None of the applications were protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend XTO's applications be granted as proposed.

DISCUSSION OF THE EVIDENCE

Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. XTO 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 the 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 XTO requests exceptions for more than 180 days and to flare more than 50 MCF of hydrocarbon gas per day, the procedure to address XTO's request for an exception is through a hearing resulting in a final order signed by the Commission.

Further, XTO specifically requests an exception to Statewide Rule 32(f)(1)(C), which states:

In the event of a full or partial shutdown by a gas gathering system, compression facility, or gas plant, gas from a lease production facility served by that gas gathering system, compression facility or gas plant may be released for a period not to exceed 24 hours. The operator shall notify the appropriate commission district office by telephone or facsimile as soon as reasonably possible after the release of gas begins. An operator may continue the release by flaring or by venting of the gas, if flaring is not required for safety reasons or by other regulation, beyond the initial 24-hour period, pending commission approval or denial of a request for an administrative exception under subsection (h) of this section. The operator shall file the request with the commission by the end of the next full business day following the first 24 hours of the release unless the deadline is extended by the commission or the commission's delegate.

In these four cases, XTO is requesting what it calls "emergency authority" to flare gas. All of the facilities are connected to gas sales lines and XTO is selling the gas most of the time. However, due to issues with lease equipment or pipeline capacity, XTO frequently finds itself of being in the position to either flare gas or shut-in full wellstream production from multiple wells until the particular event is resolved. While these events are intermittent, they are also frequent enough to become a burden that requires XTO to repeatedly make contact with the District Office, file the necessary Statewide Rule 32 Data Sheet and pay the \$375 fee. The emergency authority that XTO seeks eliminates its need to file flare permit applications for each and every emergency event that causes a need to flare gas.

Docket No. 08-0300096 – XTO seeks authority to flare gas from the JE Parker TB2 and VRU flare point, Lease No. 08-45616, in the Three Bar (Wichita) Field, Andrews County, Texas, as follows:

- a. For the JE Parker TB2 and VRU (Flare Permit No. 25711) XTO seeks authority to flare up to 3,200 MCFD from May 10, 2016 through May 9, 2018.

Docket No. 08-0300322 – XTO seeks authority to flare gas from the JE Parker TB1, TB2 and VRU flare point, Commingle Permit No. 08-4596, in the Martin (Consolidated), Martin (Ellenburger), Martin (McKee), Martin (Second Simpson SD.) and Three Bar (Wichita) Fields, Andrews County, Texas, as follows:

- a. For the JE Parker TB1, TB2 and VRU (Flare Permit No. 25712) XTO seeks authority to flare up to 6,800 MCFD from May 10, 2016 through May 9, 2018.

Docket No. 08-0302038 – XTO seeks authority to flare gas from the Cordona Lake Unit Sta. #4 and Cordona Lake CTB, VRU & 2 Stg. Comp. flare points, Commingle Permit No. 08-8321, in the Cordona Lake and Cordona Lake (San Angelo) Fields, Crane County, Texas, as follows:

- a. For the Cordona Lake Unit Sta. #4 (Flare Permit No. 27736) XTO seeks authority to flare up to 150 MCFD from October 18, 2016 through October 17, 2018.
- b. For the Cordona Lake CTB, VRU & 2 Stg. Comp. (Flare Permit No. 27738) XTO seeks authority to flare up to 1,100 MCFD from October 18, 2016 through October 17, 2018.

Docket No. 08-0302039 – XTO seeks authority to flare gas from the Univ Blk 20/21 CTB flare point, Commingle Permit No. 08-6786, in the Two Georges (Bone Spring) Field, Winkler County, Texas, as follows:

- a. For the Univ Blk 20/21 CTB (Flare Permit No. 27587) XTO seeks authority to flare up to 4,000 MCFD from November 2, 2016 through November 1, 2018.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten (10) days prior to the date of the hearing.
2. The hearing was not protested.
3. XTO operates the wells, leases and flare facilities subject to these applications.
4. All of the subject facilities are connected to gas gathering and transmission systems.
5. XTO sells the casinghead gas produced from the subject facilities.
6. Occasionally, gas gathering system issues may interrupt XTO's ability to market gas produced from its wells. These interruptions may be caused by compressor failure, pipeline capacity limitations, maintenance down-time, or other disruptive events.
7. When disruptions occur, XTO must either curtail all produced hydrocarbon streams or flare the casinghead gas streams. XTO seeks authority to flare gas on an emergency basis only.
8. Flaring the casinghead gas streams allows XTO to continue to produce liquid hydrocarbons from the subject wells, preventing potential waste of reserves.
9. XTO has obtained administrative authority to flare gas from most of the subject facilities for period of 180 days.
10. XTO requested hearings to extend the flaring authority before the administrative authority expired.

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. XTO 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 facilities.

EXAMINERS' RECOMMENDATION

Based on the above findings of facts and conclusions of law, the Examiners recommend the Commission enter an order granting the applications of XTO Energy, Inc. for exceptions to Statewide Rule 32 for the subject facilities in Andrews, Crane and Winkler Counties, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer Cook
Administrative Law Judge