



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0301900

THE APPLICATION OF MATADOR PRODUCTION COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE DOROTHY WHITE TB FACILITY, PHANTOM (WOLFCAMP) AND TWO GEORGES (BONE SPRING) FIELDS, LOVING COUNTY, TEXAS

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

HEARING DATE: December 8, 2016

CONFERENCE DATE: January 24, 2017

APPEARANCES:

Davin McGinnis
Glenn Stetson

REPRESENTING:

Matador Production Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Matador Production Company ("Matador") requests an exception to Statewide Rule 32 to flare casinghead gas at its Dorothy White TB Facility. The casinghead gas is produced from thirty-three wells located on eleven leases completed in the Phantom (Wolfcamp) and Two Georges (Bone Spring) Fields in Loving County, Texas. It is commingled at the Dorothy White TB Facility pursuant to Commingling Permit Number 6995. Notice was provided to offset operators in the field surrounding the flare point and no protests were received. The application is unprotested and the Examiners recommend approval of an exception to Statewide 32 to flare casinghead gas for this application.

DISCUSSION OF THE EVIDENCE

Matador requests an exception to Statewide 32 to flare 180,000 thousand cubic feet ("mcf") per month of casinghead gas (6,000 mcf per day) for an additional two years. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the

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

The volume of casinghead gas produced with oil from horizontal wells completed in the Wolfcamp and Bone Spring formations in the Delaware Basin (and in particular, the Phantom (Wolfcamp), and Two Georges (Bone Spring) Fields in Loving County) has strained the capacity of midstream facilities in the area. Because this casinghead gas is generally very liquids-rich, it must be processed before sale, meaning that in addition to gathering systems, processing plants are also necessary to get gas to market.

The Dorothy White TB Facility and the wells connected to the facility are located in a remote area of Loving County. Production from several leases and dozens of wells is commingled at the Dorothy White TB Facility before being moved further downstream for processing and sale.

As Matador began drilling wells in the area, there were no processing plants in the area. Matador temporarily installed mobile J-T processing units to process the natural gas liquids to get the gas and extracted liquids to sales. As Matador drilled additional wells in the area, Matador sought out more permanent, scalable processing alternatives. This led Matador to build its own cryogenic processing plant, the Lobo Plant, in 2015. Later in 2015, Matador sold the plant to Enlink Midstream ("Enlink"), who continues to process Matador's gas.

The continued increase in production from current and newly drilled wells in the area has strained the capacity of the Lobo Plant. As with any processing facility, when processing demand exceeds the Lobo Plant's processing capacity, Enlink curtails the volume of production it takes from its customers, including gas commingled at the Dorothy White TB Facility. When that occurs, Matador must either (a) shut in or choke back its wells, or (b) flare casinghead gas so that oil can continue to be produced and sold.

To accommodate the increased production and reduce the need for future curtailments, Enlink is working to increase the Lobo Plant's processing capacity. Enlink expects to have

added 120 MMcf per day of additional processing capacity by the end of 2016. Matador is hopeful that this increased processing capacity will alleviate the need for future curtailments (and the resulting flaring), but production in the area continues to increase and it is expected that Enlink's processing capacity will continue to lag behind increasing production volumes. As such, Matador expects that unanticipated and unpredictable curtailments will continue for the foreseeable future as Enlink continues its efforts to balance its processing capacity with area demand.

To date, Matador has flared gas from both the Dorothy White TB Facility and from smaller flares located at the pads for the wells that commingle production at the Dorothy White TB Facility. Matador has determined that flaring all necessary volumes at a single commingled facility – the Dorothy White TB Facility – is more efficient. As a result, Matador has requested flaring authority for the Dorothy White TB Facility sufficient to enable it to do so.

On September 23, 2016, the Commission received Matador's hearing request for an exception to Statewide Rule 32 for the Dorothy White TB Facility. Matador is requesting a twenty-four (24) month exception to Statewide Rule 32, effective October 8, 2016 to September 30, 2018. The maximum monthly flare volume requested for each flare point was estimated by reviewing flare volumes over the preceding twelve (12) months from all facilities connected to the Dorothy White TB Facility and identifying the highest cumulative monthly flare volumes. Based upon this review, Matador is requesting authority to flare 180,000 mcf per month.

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. Matador is requesting to flare casinghead gas produced from wells completed in the Phantom (Wolfcamp) and Two Georges (Bone Spring) Fields in Loving County, Texas and commingled at the Dorothy White TB Facility pursuant to Commingling Permit Number 6995.
3. The Dorothy White TB Facility is connected to a processing plant.
4. Matador is requesting an exception to Statewide Rule 32 to flare casinghead gas when all gas cannot go to sale.
5. The Commission received a hearing request for an exception to Statewide Rule 32 on September 23, 2016.
6. Enlink's Lobo Plant is the only processing plant in the area.
7. Enlink is currently bringing into service an additional cryogenic unit that has been recently constructed at the Lobo Plant with 125 MMcf per day of designed processing capacity, expected to be in full operation during the first quarter 2017.

8. Matador is requesting a twenty-four (24) month exception to Statewide Rule 32 from October 8, 2016, to September 30, 2018.


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. The requested authority to flare casinghead gas satisfies the requirements of Title 16, Texas Administrative Code 3.32(h).

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 for the flare point from October 8, 2016, to September 30, 2018 for 180,000 mcf/month.

Respectfully submitted,


Paul Dubois
Technical Examiner


Jennifer Cook
Administrative Law Judge