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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0301901

THE APPLICATION OF LYNX OPERATING CO., FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HENRY "21" AND HENRY "5" LEASES, NEWSOME (YATES) FIELD, GAINES COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: January 19, 2017
CONFERENCE DATE: February 28, 2017

APPEARANCES: **REPRESENTING:**

APPLICANT: Lynx Operating Co.

Bill Hayenga
Robert Craine

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lynx Operating Co. ("Lynx") seeks extensions of its current 180-day exceptions to Statewide Rule 32 for the Henry "21" and Henry "5" Leases, Newsome (Yates) Field, Gaines County Texas. Notice was provided to offset operators and no protests were received. The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the applications for an exception to Statewide 32 to flare gas as requested by Lynx.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 Mcf per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. Lynx has been granted 180-day permits for each of the subject leases that are expiring. The Commission received a

request for hearing on the applications of Lynx for an exception to Statewide Rule 32 for the Henry "21" and Henry "5" Leases on September 23, 2016. Since the request for hearing on renewals of existing exceptions for the subject leases was received by the Commission at least 21 days before the expiration of the existing exceptions, the operator is authorized to continue to operate under the existing authority pending final commission action on the applications. The wells on the Henry "21" and Henry "5" Leases produce low volumes of casinghead gas, which contains nitrogen. DCP Midstream is the low-volume gas gather in this area, and will not accept gas produced from the subject leases due to the nitrogen content of the gas.

HENRY "5" LEASE

Lynx received a 180-day permit (Permit No. 26865) for the Henry "5" Lease to flare a maximum of 59 Mcf of gas per day, effective April 15, 2016 to October 14, 2016. Lynx is requesting to flare a maximum of 100 Mcf of casinghead gas per day for the Henry "5" Lease, for a period of two years from the date the previous flare permit expires.

HENRY "21" LEASE

Lynx received a 180-day permit (Permit No. 26864) for the Henry "5" Lease to flare a maximum of 8 Mcf of gas per day, effective April 15, 2016 to October 14, 2016. In the interim period between requesting a hearing to extend the 180-day exception to Statewide Rule 32 and the hearing on the application Lynx has received an administrative flaring permit for the Henry "5" Lease for less than 50 Mcf per day that commences November 15, 2016 (Permit No. 28388). Thus, Lynx is only seeking an exception to Statewide Rule 32 for the Henry "5" Lease from the date the 180-day permit expires to November 14, 2016. The maximum recommended flare volume is 50 Mcf per day to ensure compliance with the permit conditions during this time.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the applications.
2. The Commission received a request for hearing on the applications of Lynx for an exception to Statewide Rule 32 for the Henry "21" and Henry "5" Leases on September 23, 2016.
3. Lynx seeks extensions of its current 180-day exceptions to Statewide Rule 32 for the Henry "21" and Henry "5" Leases, Newsome (Yates) Field, Gaines County Texas.
4. Lynx received a 180-day permit (Permit No. 26865) for the Henry "5" Lease to flare a maximum of 59 Mcf of gas per day, effective April 15, 2016 to October 14, 2016.
5. Lynx received a 180-day permit (Permit No. 26864) for the Henry "5" Lease to flare a maximum of 8 Mcf of gas per day, effective April 15, 2016 to October 14, 2016.

6. The wells on the Henry "21" and Henry "5" Leases produce low volumes of casinghead gas, which contains nitrogen.
7. DCP Midstream is the low-volume gas gather in this area, and will not accept gas produced from the subject leases due to the nitrogen content of the gas.
8. Lynx is requesting to flare a maximum of 100 Mcf of casinghead gas per day for the Henry "5" Lease, for a period of two years from the date the previous flare permit expires (October 15, 2016 to October 14, 2018).
9. In the interim period between requesting a hearing to extend the 180-day exception to Statewide Rule 32 and the hearing on the application Lynx has received an administrative flaring permit for the Henry "5" Lease for less than 50 Mcf per day that commences November 15, 2016 (Permit No. 28388).
10. Lynx is only seeking an exception to Statewide Rule 32 for the Henry "5" Lease from the date the 180-day permit expires to November 14, 2016. The maximum recommended flare volume is 50 Mcf per day to ensure compliance with the permit conditions during this time.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.

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 Henry "21" and Henry "5" Leases, Newsome (Yates) Field, Gaines County Texas.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Marshall Enquist
Administrative Law Judge