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## RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 8A-0302279**

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**THE APPLICATION OF SOUTHWEST ROYALTIES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HUNTLEY EAST (SAN ANDRES) UNIT (8A-60957), HUNTLEY EAST (SAN ANDRES) FIELD, GARZA COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 8A-0302280**

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**THE APPLICATION OF SOUTHWEST ROYALTIES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HUNTLEY SOUTH UNIT (8A-64382, 64383), HUNTLEY (3400) AND HUNTLEY (GLORIETA) FIELDS, GARZA COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Jennifer Cook– Administrative Law Judge

**HEARING DATE:** January 5, 2017  
**CONFERENCE DATE:** February 28, 2017

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:** Southwest Royalties, Inc.

Doug Dashiell  
Rick Johnston

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Southwest Royalties, Inc. ("Southwest") seeks two-year extensions of its current 180-day exceptions to Statewide Rule 32 for the Huntley East (San Andres) Unit (8A-60957), Huntley East (San Andres) Field and the Huntley South Unit (8A-64382, 64383), Huntley (3400) and Huntley (Glorieta) Fields, Garza 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 a two-year extension of the existing exceptions to Statewide 32 to flare gas as requested by Southwest.

### 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(j) states that an operator may request a hearing on any application for an exception or exception renewal required by this section. On October 19, 2016, the Commission received a hearing request from Southwest for an extension of the existing exceptions to Statewide Rule 32 for the subject units.

Southwest has an existing exception to Statewide 32 (Permit No. 26657), for the Huntley East (San Andres) Unit (8A-60957), Huntley East (San Andres) Field to flare casinghead gas, effective April 25, 2016 to October 23, 2016. Southwest seeks a two-year extension of the current exception to Statewide Rule 32 to flare a maximum of 150 Mcf of casinghead gas for a period of two years from the date the previous flare permit expires.

Southwest also has an existing exception to Statewide 32 (Permit No. 26658), for the Huntley South Unit (8A-64382, 64383), Huntley (3400) and Huntley (Glorieta) Fields to flare casinghead gas, effective April 25, 2016 to October 23, 2016. Southwest seeks a two-year extension of the current exception to Statewide Rule 32 to flare a maximum of 250 Mcf of casinghead gas for a period of two years from the date the previous flare permit expires.

Southwest discontinued a CO<sub>2</sub> flood project on both the Huntley East (San Andres) Unit and Huntley South Unit due to the reinjection of gas and CO<sub>2</sub> no longer having a noticeable response on oil production. Southwest commenced flaring high CO<sub>2</sub>-content casinghead gas approximately 6 months ago under an administrative flaring permit. Southwest's request to flare gas is a waste preventive measure to reduce the CO<sub>2</sub> content to a marketable level. The anticipation is that at some point in the future, the CO<sub>2</sub> content will decrease to a level where the gas is marketable. Currently, the CO<sub>2</sub> content of the gas is greater than 60%. Southwest's engineering witness believes the gas will become marketable when the CO<sub>2</sub> content decreases to a level of approximately 30%.

### 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 application.
2. Southwest was previously granted an exception to Statewide Rule 32 for the Huntley East (San Andres) Unit (8A-60957), Huntley East (San Andres) Field to flare casinghead gas, effective April 25, 2016 to October 23, 2016. (Permit No. 26657).
3. Southwest was previously granted an exception to Statewide Rule 32. Southwest seeks a two-year extension of the current exception to Statewide Rule 32 to flare a maximum of 250 Mcf of casinghead gas for a period of two years from the date the previous flare

- permit expires. to flare casinghead gas, effective April 25, 2016 to October 23, 2016 (Permit No. 26658).
4. On October 19, 2016, the Commission received a hearing request from Southwest for an extension of the existing exceptions to Statewide Rule 32 for the subject units.
  5. Southwest seeks a two-year extension of the current exception to Statewide Rule 32 for the Huntley East (San Andres) Unit (8A-60957), Huntley East (San Andres) Field to flare a maximum of 150 Mcf of casinghead gas per day for a period of two years from the date the previous flare permit expires.
  6. Southwest seeks a two-year extension of the current exception to Statewide Rule 32 for the Huntley South Unit (8A-64382, 64383), Huntley (3400) and Huntley (Glorieta) Fields to flare a maximum of 250 Mcf of casinghead gas for a period of two years from the date the previous flare permit expires.
  7. Southwest discontinued a CO<sub>2</sub> flood project on both the Huntley East (San Andres) Unit and Huntley South Unit due to the reinjection of gas and CO<sub>2</sub> no longer having a noticeable response on oil production.
  8. Southwest commenced flaring high CO<sub>2</sub>-content casinghead gas approximately 6 months ago under administrative flaring permits for the subject units.
  9. Southwest's request to flare gas is a waste preventive measure to reduce the CO<sub>2</sub> content of the casinghead gas to a marketable level.
    - a. The anticipation is that at some point in the future, the CO<sub>2</sub> content of the gas will decrease to a level where the gas is marketable.
    - b. Presently, the CO<sub>2</sub> content of the gas is greater than 60%.
    - c. Southwest's engineering witness believes the gas will become marketable when the CO<sub>2</sub> content decreases to a level of approximately 30%.

### **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 a Statewide Rule 32 exception renewal for the Huntley East (San Andres) Unit (8A-60957), Huntley East (San Andres) Field to flare a maximum of 150 Mcf of casinghead gas per day, effective October 24, 2016 to October 23, 2018. The Examiners also recommend granting a Statewide Rule 32 exception renewal for the Huntley South Unit (8A-64382, 64383), Huntley (3400) and Huntley (Glorieta) Fields to flare a maximum of 250 Mcf of casinghead gas, effective October 24, 2016 to October 23, 2018.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Jennifer Cook  
Administrative Law Judge