



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0302179

THE APPLICATION OF LACY 03, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR FLARE GAS PERMIT FOR THE ORTS, H P -B- LEASE, MAG (AUSTIN CHALK) FIELD IN GONZALES COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: December 20, 2016

CONFERENCE DATE: March 21, 2017

APPEARANCES: REPRESENTING:

APPLICANT:

Brian Sullivan
Greg Benton
J. Ross Lacy

Lacy 03, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lacy 03, LLC ("Lacy") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas from the Orts, H P -B- Lease in the Mag (Austin Chalk) Field, Gonzales County, Texas. All offset operators in the subject field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exception to Statewide 32.

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. Lacy was granted a permit to flare casinghead gas that will be expiring. Lacy is requesting an exception to Statewide 32 to flare casinghead gas for an additional period of time.

There are currently six wells associated with the Orts, H P -B- Lease ("Orts Lease"), and only Well No. 5 is producing gas that needs to be flared. The Orts Lease Well No. 5 was reworked on August 30, 2013, and now produces up to 150 barrels of oil per day. Lacy periodically shuts in the well according to the price of oil. Mr. Benton reported the reservoir pressure has dropped and the choke is increased to sustain the velocity of fluid, or the well will load up and not function. Lacy plans to produce the well until it stops flowing, and then it will be placed on a pump. The volume of gas to be flared has increased because of changes in the operation of Well No. 5.

Lacy received permanent administrative authority (Permit No. 15014) to flare up to fifty (50) thousand cubic feet (MCF) of gas per day (MCFD) from the Orts Lease effective December 2, 2013. The gas flared contains hydrogen sulfide (H₂S), and was flared intermittently under Permit No. 15014. Lacy received administrative authority to flare up to 100 MCFD for 180 days from May 15, 2016 through November 11, 2016. Lacy's request for a hearing to increase the flaring authority up to 150 MCFD was received on October 14, 2016. Lacy is requesting authority to flare up to 150 MCFD for two years from November 12, 2016 through November 12, 2018.

The Orts Lease is not connected to a pipeline and the nearest pipeline is over six miles away. Construction of a connecting pipeline would include obtaining the right-of-way, twenty-seven road bores, three creek crossings, a treatment facility for the H₂S gas, and a hot pipe tap. Mr. Benton stated the total estimated installation cost of the pipeline is \$702,500, and it is not economical to construct the pipeline.

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. There were no protests to the application.
2. The Orts Lease Well No. 5 is the only one of six wells on the lease that produces gas which needs to be flared.
3. The volume of gas to be flared has increased because of changes in the operation of Well No. 5.
4. Lacy received permanent administrative authority (Permit No. 15014) to flare up to 50 MCFD from the Orts Lease effective December 2, 2013, and to flare up to 100 MCFD for 180 days from May 15, 2016 through November 11, 2016.

5. The Orts Lease is not connected to a pipeline and the nearest pipeline is over six miles away.
6. The total estimated installation cost of the pipeline is \$702,500, and it is not economical to construct the pipeline.
7. Lacy is requesting authority to flare up to 150 MCFD for two years from November 12, 2016 through November 12, 2018.

CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32
3. The requested exception to flare casinghead gas meets the requirements of Statewide Rule 32. 16 Tex. Admin. 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 Orts, H P -B- Lease for up to 150 MCFD from November 12, 2016 through November 12, 2018, as requested by Lacy 03, LLC.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Marshall Enquist
Administrative Law Judge