



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0303350

THE APPLICATION OF COMSTOCK OIL & GAS, LP FOR AN EXCEPTION TO STATEWIDE RULE 32, SCHORP "A" LEASE, WELL NO. 1H, EAGLEVILLE (EAGLE FORD-1) FIELD, FRIO COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Clayton J. Hoover – Administrative Law Judge

HEARING DATE: March 10, 2017

CONFERENCE DATE: April 4, 2017

APPEARANCES:

Dale Miller

REPRESENTING:

Comstock Oil & Gas, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Comstock Oil & Gas, LP (Comstock) seeks an exception to Statewide Rule 32 [16 Tex. Admin. Code §3.32] to flare gas from its Schorp "A" Lease, Well No. 1H, in the Eagleville (Eagle Ford-1) Field, Frio County, Texas. Comstock seeks authority to flare 200 thousand cubic feet (MCF) per day of casinghead gas for a period of two years. Comstock asserts it is not economical to construct and operate a pipeline to sell gas. Comstock originally requested a permanent exception to flare gas, but stated at the hearing that it would not consider two year authority to be adverse. The Technical Examiner and the ALJ (collectively the "Examiners") recommend Comstock's application be granted for two years.

DISCUSSION OF EVIDENCE

Comstock is the operator of 236 horizontal oil wells in the Eagleville (Eagle Ford-1) Field according to the March 1, 2017 proration schedule. Comstock completed its Schorp "A" Lease (No. 18077) Well No. 1H (API No. 42-163-33838) in the Eagleville (Eagle Ford-1) Field on September 10, 2014.

During its 24-hour initial potential test the well produced (flowing) 731 barrels of oil,

593 thousand cubic feet (MCF) of casinghead gas, and 1,476 barrels of water. Subsequent reported production is as follows:

- From September 2014 through November 2016, the well produced a total of 110,592 barrels of oil and 184,260 MCF casinghead gas.
- Maximum monthly production was observed in November 2014, with 12,179 barrels of oil and 21,360 MCF casinghead gas.
- In November 2016, production had declined to 1,780 barrels of oil per month, and 4,957 MCF casinghead gas.

The well is not connected to a gas gathering or sales pipeline. The Form W-2 completion report indicated the well produced gas containing less than 100 parts per million (ppm) of hydrogen sulfide. However, Exhibit 17 indicates the well produces gas containing 6,000 ppm hydrogen sulfide. Comstock's testimony is that the gas requires treatment before it can be sold.

Statewide Rule 32 [16 Tex. Admin. Code §3.32] governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. Statewide Rule 32 provides operators with the ability to request authority to flare gas in certain situations, including the unavailability of a gas pipeline or other marketing facility. Comstock received administrative authority to flare 90 MCF gas per day from the well for 90 days from October 3, 2014, through January 1, 2015. It received a 90 day extension to flare 400 MCF casinghead gas per day from January 2 through April 22, 2015. On August 25, 2015, Comstock received a final order (01-0296162) to flare 500 MCF/D of casinghead gas from the well for two years starting on April 23, 2015 through April 22, 2017. On January 25, 2017 Comstock requested a hearing to extend their flaring exception for two years.

The nearest gas pipeline is 0.6 miles from the Schorp "A" Lease Well No. 1H wellhead. The gas pipeline crosses the horizontal lateral near its midpoint on the Schorp "A" Lease. Comstock concludes that sales of gas produced from the well would not be economical given the project costs (gathering line construction, gas treatment and compression, and sales line connection) and the current market conditions for natural gas. Comstock testified to the following economic data and assumptions:

- Gas sales price of \$2.85 per MCF;
- Gathering pipeline (0.6 miles) total cost of \$295,040;
- Compressor rental(including hydrogen sulfide treatment) cost of \$6,000 per month;

- The compressor would require 35 MCF gas per day for fuel, which would be supplied by the well;
- The reservoir contains 175,266 MCF remaining recoverable gas reserves that can be produced through 2020.

Based on its analysis, the well will produce \$43,940 in net revenue from gas sales, and incur a fixed cost of \$295,040 for pipeline and facility construction, and operating costs of \$468,000 over six and a half years. Comstock concludes that the total undiscounted revenue for the construction of a pipeline and associated facilities to sell gas from the Schorp "A" Lease Well No. 1H would be a negative \$251,100. Therefore, Comstock seeks an exception to flare casinghead gas so that it may continue to produce oil from the well.

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 hearing.
2. Comstock's Schorp "A" Lease (No. 18077) Well No. 1H (API No. 42-163-33838) in the Eagleville (Eagle Ford-1) Field was completed on September 10, 2014.
3. During its 24-hour initial potential test the well produced (flowing) 731 barrels of oil, and 593 thousand cubic feet (MCF) of casinghead gas.
4. In November 2016, production had declined to 1,780 barrels of oil per month, and 4,857MCF casinghead gas.
5. The nearest gas pipeline is 0.6 miles from the Schorp "A" Lease Well No. 1H wellhead. The gas pipeline crosses the horizontal lateral near its midpoint on the Schorp "A" Lease.
6. Comstock received administrative authority to flare 90 MCF gas per day from the well for 90 days from October 3, 2014, through January 1, 2015. It received a 90 day extension to flare 400 MCF gas per day from January 2 through April 22, 2015.
7. On March 30, 2015, Comstock requested a hearing to continue its authority to flare gas from the well.
8. On August 25, 2015, Comstock received a final order (01-0296162) to continue its authority to flare 500 MCF/D of gas from the well for two years starting on April 23, 2015 through April 22, 2017.

9. On January 25, 2017 Comstock requested a hearing to extend their flaring exception for two years from April 23, 2017 through April 22, 2019 at a rate of 200 mcf/d..
10. Without flaring authority for casinghead gas, Comstock would be required to shut-in the well and not produce oil.
11. The evidence in the record demonstrates that sales of gas produced from the well would not be economical given the project costs (gathering line construction, gas treatment and compression, and sales line connection) and the current market conditions for natural gas.

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 § 1.45
3. The requested exceptions to flare casinghead gas from the subject wells meet the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend Comstock Oil & Gas, LP, be granted an exception to Statewide Rule 32 for its Schorp "A" Lease, Well No. 1H, in the Eagleville (Eagle Ford-1) Field, Frio County, Texas.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Clayton J. Hoover
Administrative Law Judge