



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0301647

THE APPLICATION OF VICEROY PETROLEUM LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE WIATREK, G. (10855) LEASE, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

HEARD BY:

Brian Fancher, P.G. – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: November 14, 2016
SUBMISSION DATE: May 5, 2017
CONFERENCE DATE: May 23, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Wendell Mullins
Jeff Solecki

Viceroy Petroleum, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, Viceroy Petroleum, LP (VP) seeks an exception to flare up to 102,000 cubic feet of casinghead gas per day (102 MCFD) produced from the Eagleville (Eagle Ford-2) Field (Field) that is handled at its Wiatrek, G. Lease (Lease) for a period of two years, effective September 23, 2016 (Subject Application). The application is unprotested. The Administrative Law Judge and Technical Examiner (Examiners) recommend that it be approved.

DISCUSSION OF THE EVIDENCE

Applicable Rule

16 Tex. Admin. Code §3.32 (SWR 32) governs flaring of natural gas produced under the jurisdiction of the Railroad Commission. Titled "Exceptions," SWR 32(h) 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.

Application Background

Notice of hearing for the subject application was sent by U.S. mail directed to all operators in the Field that offset the Lease, as well as the Oil & Gas Division, on October 11, 2016.¹

On August 11, 2016, VP was administratively granted to flare up to 102 MCF per day from the Lease for a period of 90 days, effective June 24, 2016 (Flare Permit No. 27728). That authority expired on September 22, 2016.² On September 6, 2016, VP submitted its hearing request for the Subject Application.³

The Lease is composed of a single well, the Wiatrek, G. Lease, Well No. 1. VP submitted a copy of a schematic that provides a general layout of the surface equipment associated with the Lease. For example, it demonstrates the tank locations that makeup the Lease's tank battery, separators, and various flow lines.

The Lease is served by a single pilot flare associated with that tank battery. Mr. Mullins testified that casinghead gas is flared from the Lease during times when its associated surface equipment is shut-in.⁴ The Field is designated as a hydrogen-sulfide (H₂S) bearing field by the Commission. Mr. Mullins stated, however, that no H₂S has been observed at the Lease, and submitted a copy of flash gas analysis made for the Lease. It shows that no H₂S exists at the Lease. He asserted that nonetheless, the third-party gatherer that collects casinghead gas from the Lease charges VP a fee as though H₂S existed.

In support of its position, VP submitted a document entitled, "Percent of Proceeds Statement" for April 2016. It indicates that the Lease handled approximately 72 MCF of casinghead gas per day from the Field. The gross value of that gas was estimated at \$4,311.46. After fees and adjustments of \$4,311.46, VP was left with a net value of gas equaling \$(-)654.02.

VP submitted an aerial photograph dated August 31, 2016, that includes an area surrounding the Lease. It includes locations for wells, as well as locations for pipelines that traverse that area. That map demonstrates that other available, existing pipelines are within that area. Mr. Mullins testified that the cost to "tap-into" one of those pipelines is approximately \$250,000. He stated that cost exceeds the value of the estimated recoverable casinghead gas from the Lease. Therefore, it is not economic to utilize one of those existing pipelines at this time. As a result, VP requests authority to flare casinghead gas from the Lease for a period of two years, effective September 23, 2016.

¹ See Notice of Hearing and Service List dated October 11, 2016 for the Subject Application.

² See Commission letter of authority dated August 24, 2016.

³ See Allied Testing's letter dated August 20, 2015, on behalf of VP.

⁴ Testimony at 1:45 of audio recording.

FINDINGS OF FACT

1. Viceroy Petroleum, LP (VP) seeks an exception to flare up to 102,000 cubic feet of casinghead gas per day (102 MCFD) produced from the Eagleville (Eagle Ford-2) Field (Field) that is handled at its Wiatrek, G. Lease (Lease) for a period of two years, effective September 23, 2016 (Subject Application).
2. Notice of hearing for the Subject Application was sent by U.S. mail directed to all operators in the Field that offset the Lease, as well as the Oil & Gas Division, on October 11, 2016.
3. VP was the only party that attended the hearing held for the Subject Application.
4. The Lease contains one well in the Field, VP's Wiatrek, G. Lease, Well No. 1.
5. On August 11, 2016, VP was administratively granted to flare up to 102 MCF per day from the Lease for a period of 90 days, effective June 24, 2016 (Flare Permit No. 27728).
6. The cost to connect the Lease to another gas gathering pipeline is not economic at this time.
7. Approval of the subject application is in accordance with 16 Tex. Admin. Code §3.32(h).


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. Legally sufficient notice has been provided to all affected persons.
3. The requested authority to flare casing-head gas as specified in Finding of Fact No. 1 above, effective September 23, 2016, satisfies the requirements of Title 16 TAC §3.32.

EXAMINERS' RECOMMENDATION

The Examiners recommend that the Commission grant Viceroy Petroleum, LP an exception to flare casing-head gas as specified in Finding of Fact No. 1 above from the Field for a period of two years, effective September 23, 2016.

Respectfully submitted,


Brian Fancher, P.G.
Technical Examiner


Marshall Enquist
Administrative Law Judge