



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0305457

THE APPLICATION OF ATLANTIC RESOURCES CO., LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE STATE GATEWAY 22 LEASE (NO. 279412), WELL NO. 2H, IN THE FORD, WEST (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Clayton J. Hoover – Administrative Law Judge

HEARING DATE: July 25, 2017

CONFERENCE DATE: August 15, 2017

APPEARANCES:

APPLICANT:

Dale Miller

REPRESENTING:

Atlantic Resources Co., LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32) Atlantic Resources Co., LLC ("Atlantic") seeks authority to flare gas at from the the State Gateway 22 Lease (No. 279412) Well No. 2H, in the Ford, West (Wolfcamp) Field, Reeves County, Texas. The well produces sour gas with limited sales options. Atlantic is improving its surface treatment processes and exploring other pipeline sales options. The well produces significant amounts of hydrocarbon liquids, and authority to flare sour gas will enable Atlantic to continue to produce hydrocarbon liquids from the well. Atlantic seeks authority to flare up to 1,400 thousand cubic feet ("mcf") of gas per day for a period of two years. The application was not protested. The administrative law judge and technical examiner ("Examiners") recommend Atlantic's application be granted.

Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Atlantic seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)... if the operator of a well or production facility presents information to show the necessity for the release...

Statewide Rule 32(h)(4) 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.

Because Atlantic requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address Atlantic's request for an exception is through a hearing resulting in a final order signed by the Commission.

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.
2. The State Gateway 22 Lease (No. 279412) Well No. 2H (API No. 42-389-34930) was completed on November 20, 2015, in the Ford, West (Wolfcamp) Field.
3. On initial testing the well produced at a gas to liquid hydrocarbon ratio of 4,534 standard cubic feet of gas per barrel of liquid hydrocarbons, meeting the gas well classification requirements for the Ford, West (Wolfcamp) Field. The deliverability of the well is 1,430 mcf per day.
4. The well produces sour gas that contains 3,200 parts per million hydrogen sulfide.
5. The well is connected to a sweet gas sales pipeline operated by Eagleclaw Midstream Ventures, LLC. Eagleclaw Midstream Ventures, LLC cannot accept the sour gas.
6. Atlantic operates an amine treating unit to reduce the hydrogen sulfide content, but Atlantic is having difficulty meeting Eagleclaw's pipeline specifications for gas quality.
7. Atlantic is having to flare most of the gas produced to avoid having to shut-in the well.
8. Shutting-in the well would cause Atlantic to lose production of hydrocarbon liquids from the well.

9. Atlantic obtained an administrative permit (No. 29219) to flare up to 1,400 mcf gas per day from the well from February 6, 2017, through August 6, 2017.
10. On June 19, 2017, Atlantic requested a hearing to extend the flaring authority for a period of two years.
11. Atlantic seeks to flare gas on an emergency basis only while it continues to improve its gas treatment and marketing capabilities.
12. Atlantic requests a continued exception to Statewide Rule 32 to enable it to continue to produce hydrocarbon liquids.
13. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

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 §§1.43 and 1.45.
3. Approval of the application will prevent waste and protect correlative rights.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on August 15, 2017.

EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the application of Atlantic Resources Co., LLC for an exception to Statewide Rule 32 for the State Gateway 22 Lease (No. 279412) Well No. 2H, in the Ford, West (Wolfcamp) Field, Reeves County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Clayton J. Hoover
Administrative Law Judge