



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0305357

THE APPLICATION OF CINCO OIL & GAS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PEELER NE UNIT A (18327) LEASE, WELL NO.1H, EAGLEVILLE (EAGLE FORD -1) FIELD, ATASCOSA COUNTY, TEXAS

OIL & GAS DOCKET NO. 01-0305356

THE APPLICATION OF CINCO OIL & GAS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PEELER NE UNIT B, (18332) LEASE, WELL NO.1H , EAGLEVILLE (EAGLE FORD -1) FIELD, ATASCOSA COUNTY, TEXAS

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

HEARING DATE: August 2, 2017

CONFERENCE DATE: September 19, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:
Doug Dasiell
Jeff Gordon

Cinco Oil & Gas, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cinco Oil & Gas, LLC (Cinco) requests an exception to Statewide Rule 32 to flare gas for the Peeler NE Unit A, Well No.1H, (API No. 42-013-35192) and the Peeler NE Unit B, Well No.1H, (API No. 42-013-35194), Eagleville (Eagle Ford-1) Field, Atascosa County, Texas at a rate of 75 mcf/d for a period of two years.

All persons entitled to notice received notice of the hearing. The matter is not protested. The Technical Examiner and the Administrative Law Judge (collectively the Examiners) recommend that the application be approved.

DISCUSSION OF THE EVIDENCE

16 TAC §3.32(h) provides that an exception to flare casinghead gas in volumes greater than 50 MCFGD may be granted administratively for a period up to 180 days. Furthermore, flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Statewide Rule 32 contains no notice of application requirements.

Cinco received administrative permits for the two leases. The Peeler NE Unit A Well No.1H (Permit No. 28854) authorized Cinco to flare casinghead gas for 90 days from 01/13/2017 to 4/13/2017 at a rate of 75mcf/d and 100mcf/d from 04/14/2017 to 7/13/2017. The Peeler NE Unit B, Well No.1H (Permit No. 28853) authorized Cinco to flare casinghead gas for 180 days from 1/13/2017 through 07/13/2017 at a rate of 100mcf/d.

Cinco is requesting to flare casinghead gas produced from the Peeler NE Unit A Well No.1H, and the Peeler NE Unit B, Well No.1H, Eagleville (Eagle Ford-1) Field in Atascosa County Texas, as provided in Statewide Rule 32(h) at a rate of 75 mcf/d for two years from 08/2/2017 through 08/2/2019.

The two wells are located on the same site and there are currently gas pipelines in the vicinity of the two wells. Cinco has identified the closest sales point and determined the economics required to connect these wells. In the economic analysis, Cinco used the most optimistic scenarios for each well, which would be a straight line distance to connect the wells to the pipeline. However, the capital investment of \$118,000 for 1.64 miles of pipe line needed to connect the two wells along with the gathering fee of \$0.98/mcf and the \$1.54/mcf gathering, processing and treating fee would result in a net loss. As a result, the economics are not favorable at this time to connect to the pipeline. Without a Final Order from the Commission authorizing the continued flaring of casinghead gas from the Peeler NE Unit A 1H Well and the Peeler NE Unit B 1H Well Cinco stated they would have to shut in production from the wells, possibly resulting in waste of hydrocarbon reserves.

Therefore, Cinco is requesting an exception to flare 75 mcf/d from the Peeler NE Unit A, 1H Well and the Peeler NE Unit B, 1H Well for a period of two years from August 2, 2017 through August 2, 2019.

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 two subject wells in this application are completed in the Eagleville (Eagle Ford-1) Field, in Atascosa County, Texas.
3. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing prior to the expiration of a Commission granted flare permit order.
4. On June 14, 2107 Cinco requested a hearing to extend its flaring authority pursuant to Statewide Rule 32 for the Peeler NE Unit A, Well No. 1H, and the Peeler NE Unit B, Well No. 1H.
5. Cinco received administrative permits for the two leases. The Peeler NE Unit A Well No.1H (Permit No. 28854) authorized Cinco to flare casinghead gas for 90 days from 01/13/2017 to 4/13/2017 at a rate of 75mcf/d and 100mcf/d from 04/14/2017 to 7/13/2017. The Peeler NE Unit B, Well No.1H (Permit No. 28853) authorized Cinco to flare casinghead gas for 180 days from 1/13/2017 through 07/13/2017 at a rate of 100 mcf/d.
6. Cinco is requesting an exception to flare 75 mcf/d from the Peeler NE Unit A, 1H Well for a period of two years from August 2, 2017 through August 2, 2019.
7. Cinco is also requesting an exception to flare 75 mcf/d from the Peeler NE Unit B, 1H Well for a period of two years from August 2, 2017 through August 2, 2019.
8. Cinco stated that the capital expenditure and monthly expense to install and operate is greater than the return on investment.
9. An exception to Statewide Rule 32 to flare casinghead gas will allow Cinco to continue to produce oil from the Peeler NE Unit A, Well No. 1H and the Peeler NE Unit B Well No. 1H .

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.
3. Approval of the requested authority pursuant to Statewide Rule 32 will prevent waste, will not harm correlative rights and will promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission approve an exception to Statewide Rule 32 to flare a maximum volume of 75 mcf/d of casinghead gas from the Peeler NE Unit A, Well No. 1H, and the Peeler NE Unit B, 1H Well from August 2, 2017 through August 2, 2019 as requested by Cinco Oil & Gas, LLC.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Clayton J. Hoover
Administrative Law Judge