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RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0305235

THE APPLICATION OF XTO ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE ZANT 201H TANK BATTERY (LEASE NO. 08-38900) AND THE ZANT 201 TANK BATTERY (COMINGLING PERMIT NO. 08-7660) SPRABERRY (TREND AREA) AND WILSHIRE (PENNSYLVANIAN) FIELDS, GLASSCOCK COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0305441

THE APPLICATION OF XTO ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BROWN-ALTMAN-B TB 2 (COMINGLING PERMIT NO. 08-4160), EMPEROR (HOLT), EMPEROR (WITCHITA ALBANY), EMPEROR (WOLFCAMP), EMPEROR, DEEP, EMPEROR, EAST (CLEAR FORK, LO.), AND EMPEROR (WOLFCAMP, UPPER) FIELDS, WINKLER COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Randall Collins – Director, Hearings Division

REPORT PREPARED BY: Karl Caldwell – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: August 17, 2017
RECORD CLOSED: August 17, 2017
CONFERENCE DATE: October 10, 2017

APPEARANCES: **REPRESENTING:**

APPLICANT: XTO Energy, Inc.

David Gross
Dale Miller
Patty Urias
Sherry Pack

EXAMINERS' REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

XTO Energy, Inc. (XTO) seeks exception renewals for its current Statewide Rule 32 exceptions for the following:

- 1) Zant 201H Tank Battery (Lease No. 08-38900), Spraberry (Trend Area) Field, Glasscock County;
- 2) Zant 201 Tank Battery (Commingling Permit No. 08-7660) Wilshire (Pennsylvanian) Field, Glasscock County; and
- 3) Brown-Altman-B TB 2 (Commingling Permit No. 08-4160), Emperor (Holt), Emperor (Witchita Albany), Emperor (Wolfcamp), Emperor, Deep, Emperor, East (Clear Fork, Lo.), and Emperor (Wolfcamp, Upper) Fields, Winkler County.

For each application, notice was provided to all offset operators. For each application, XTO is requesting an extension of its current Statewide Rule 32 exception for a period of two years. For the Zant 201 Tank Battery (Commingling Permit No. 08-7660), XTO is requesting the same maximum daily flare volume as the current Statewide Rule 32 exception of 6,500 Mcf per day (Mcf/d). For the Zant 201H Tank Battery (Lease No. 08-38900), XTO is requesting a maximum flare volume of 8,000 Mcfd. For the Brown-Altman-B TB 2 (Commingling Permit No. 08-4160), XTO is requesting to flare a maximum of 500 Mcfd. The applications are unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of a two-year exception to Statewide Rule 32 for the subject applications as requested by XTO.

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(j) Opportunity for hearing states that an operator may request a hearing on any application for an exception, or exception renewal required by this section. The Commission received a hearing request for an exception renewal for each of the subject applications on June 16, 2017. The existing exception authority for the Zant 201H Tank Battery (Lease No. 08-38900) and the Zant 201 Tank Battery (Commingling Permit No. 08-7660) expires August 29, 2017, while the existing exception authority for the Brown-Altman-B TB 2 (Commingling Permit No. 08-4160), expires July 30, 2017. Therefore, the operator filed each application for exception renewal with the Commission more than 21 days prior to expiration of the existing exception authority.

Zant 201H Tank Battery (Lease No. 08-38900)

Energy Transfer Company is the gatherer and purchaser of the casinghead gas produced from Lease No. 38900 (Zant 201H Tank Battery) in the Spraberry (Trend Area) Field and XTO sells gas when possible. Due to system upsets, there are times when gas is unable to be sold. XTO requests to flare gas during system upset conditions. XTO has an existing permit (Permit No. 28737), for the for the Zant 201H Tank Battery. XTO requests to extend the permit to flare casinghead gas for an additional two years, from August 30, 2017 to August 29, 2019, at a maximum of 8,000 Mcfd.

Zant 201 Tank Battery (Commingling Permit No. 08-7660)

Targa Pipeline Mid-Continent LLC is the purchaser and gatherer of casinghead gas produced from Lease No. 19329 (Zant 201 Tank Battery, Commingling Permit No. 08-7660), with production from the Wilshire (Pennsylvanian) Field. XTO has a current exception to Statewide Rule 32, Permit No. 30055, to flare a maximum of 6,500 Mcfd, effective June 1, 2017 through August 29, 2017. XTO requests to extend the current flare permit for an additional two years, from August 30, 2017 through August 29, 2019, at the same maximum flare rate of 6,500 Mcfd as previously granted. XTO is selling gas anytime they can. The request to flare gas is in the event of system upsets.

Brown-Altman-B TB 2 (Commingling Permit No. 08-4160)

Energy Transfer Company, is the gatherer and purchaser of the casinghead gas produced from all leases connected to the subject tank battery. The request for flaring authority is for emergency flaring situations only, which may arise due to system upsets, plant shut-downs, and pipeline capacity issues. XTO is requesting a two-year exception to Statewide Rule 32 (July 31, 2017 to July 30, 2019), to flare a maximum of 500 Mcfd when all gas cannot be sold. XTO has a current exception to Statewide Rule 32 (Permit No. 299901), to flare a maximum of 500 Mcfd, effective April 1, 2017 through July 30, 2017. XTO requests to extend the current exception authority for an additional two years, from July 31, 2017 through July 30, 2019, at the same maximum rate of 500 Mcfd as previously granted. The request to flare gas is a result of system upsets. XTO is selling gas when possible.

FINDINGS OF FACT

1. Notice of the subject applications was provided to all offset operators for each application.
2. On June 16, 2017, the Commission received a hearing request for a Statewide Rule 32 exception renewal for the following:

- a. the Zant 201H Tank Battery (Lease No. 08-38900), Spraberry (Trend Area) Field, Glasscock County;
 - b. the Zant 201 Tank Battery (Commingling Permit No. 08-7660) Spraberry (Trend Area) and Wilshire (Pennsylvanian) Fields, Glasscock County; and
 - c. the Brown -Altman-B TB 2 (Commingling Permit No. 08-4160), Emperor (Holt), Emperor (Wichita Albany), Emperor (Wolfcamp), Emperor, Deep, Emperor, East (Clear Fork, Lo.), and Emperor (Wolfcamp, Upper) Fields, Winkler County
 - d. The existing Statewide Rule 32 exception authority for the Zant 201H Tank Battery (Lease No. 08-38900) and the Zant 201 Tank Battery (Commingling Permit No. 08-7660) expires August 29, 2017, while the existing Statewide Rule 32 exception authority for the Brown-Altman-B TB 2 (Commingling Permit No. 08-4160), expires July 30, 2017.
 - e. XTO filed each request for an extension of its current exception to Statewide Rule 32 more than 21 days prior to expiration of the existing exception authority.
3. Energy Transfer Company is the gatherer and purchaser of the casinghead gas produced from Lease No. 38900 (Zant 201H Tank Battery) in the Spraberry (Trend Area) Field.
- a. XTO sells gas when possible.
 - b. Due to system upsets, there are times when gas is unable to be sold.
 - c. XTO requests to flare gas during system upset conditions.
 - d. XTO has an existing permit, Permit No. 28737, for the Zant 201H Tank Battery (Lease No. 08-38900).
 - e. XTO requests to extend its permit to flare casinghead gas for an additional two years, from August 30, 2017 to August 29, 2019, at a maximum volume of 8,000 Mcfd.
4. Targa Pipeline Mid-Continent LLC is the purchaser and gatherer of casinghead gas produced from Lease No. 19329 (Zant 201 Tank Battery, Commingling Permit No. 08-7660), with production from the Wilshire (Pennsylvanian) Field.

- a. XTO has a current exception to Statewide Rule 32, Permit No. 30055, to flare a maximum of 6,500 Mcfd, effective June 1, 2017 through August 29, 2017.
 - b. XTO requests to extend the current flare permit for an additional two years, from August 30, 2017 through August 29, 2019, at the same maximum flare rate of 6,500 Mcfd as previously granted.
 - c. XTO is selling gas anytime they can.
 - d. The request to flare gas is in the event of system upsets.
5. Energy Transfer Company, is the gatherer and purchaser of the casinghead gas produced from all leases connected to the Brown-Altman-B TB 2 (Commingling Permit No. 08-4160).
- a. The request for flaring authority is for emergency flaring situations only, which may arise due to system upsets, plant shut-downs, and pipeline capacity issues.
 - b. XTO is requesting a two-year exception to Statewide Rule 32 (July 31, 2017 to July 30, 2019), to flare a maximum of 500 Mcfd if necessary when all gas cannot be sold.
 - c. XTO has a current exception to Statewide Rule 32 (Permit No. 299901), to flare a maximum of 500 Mcfd, effective April 1, 2017 through July 30, 2017.
 - d. XTO requests to extend the current exception authority for an additional two years, from July 31, 2017 through July 30, 2019, at the same maximum rate of 500 Mcfd as previously granted.
 - e. XTO is selling gas when possible. The request to flare gas is a result of system upsets.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant Statewide Rule 32 exception renewals for the Zant 201H Tank Battery (Lease No. 08-38900), the Zant 201 Tank Battery (Commingling Permit No. 08-7660), and the Brown -Altman-B TB 2 (Commingling Permit No. 08-4160), for a period of two years, as requested by XTO.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Ryan Lammert
Administrative Law Judge