



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0306152

THE APPLICATION OF VALENCE OPERATING COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32 TO FLARE GAS FROM THE MAHONEY UNIT (16728) LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD MCMULLEN COUNTY, TEXAS.

HEARD BY: Richard Eyster, P. G. – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: October 9, 2017

CONFERENCE DATE: November 7, 2017

APPEARANCES:

James M. Clark, P.E.

Valence Operating Company

EXAMINERS' REVALANCE REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Valence Operating Company (Valence) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas from the Mahoney Unit in the Eagleville (Eagle Ford-1) Field, McMullen County, Texas. Valence seeks two-year authority to flare up to 150 MCF/D of casinghead gas from August 31, 2017 through August 31, 2019. The application is not protested and the Technical Examiner and the Administrative Law Judge (collectively the Examiners) recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. Valence received a 90 day administrative permit authorizing the flaring of 413 MCF/D of casinghead gas from June 1, 2017 through August 30, 2017. On August 7, 2017 Valence applied for a hearing to extend the flaring exception. The three wells (1H, 2H, and 3H) that the Mahoney Unit Flare point serves have H₂S values above 50,000 ppm and the

treatment costs will exceed the revenue. Valence calculates that it will cost \$100,000 in capital cost, \$25,000/month for amine unit and \$5,000/month for compression and dehydration costs. Due to these costs Valence asserts that trying to treat the casinghead gas from this unit will result in a capital loss of \$100,000, therefore the costs of marketing this gas is uneconomic at this time. Therefore, Valence seeks a Commission final order granting two-year authority to flare up to 150 MCF/D from The Mahoney Unit from August 31, 2017 through August 31, 2019. Valence stated that without additional flaring authority they will have to shut the wells in causing waste and perhaps harm to the reservoir.

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. Valence applied for a hearing to extend the flaring authority more than 21 days before the administrative permits expired.
3. Valence is requesting to flare 150 mcf/d of casinghead gas for two years starting on August 31, 2017 through August 31, 2019
4. Valence calculates marketing the gas is uneconomic at this time
5. Without a Final order authorizing the flaring, Valence will have to shut the wells in, causing waste and possible harm to the reservoir.

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. Valence Operating Company, L.P. has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding the requested authority to flare gas produced from the wells connected to the subject flare point.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application as requested by Valence Operating Company, L.P.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Richard Eyster'.

Richard Eyster, P. G.
Technical Examiner

A handwritten signature in blue ink, appearing to read 'Ryan Lammert'.

Ryan Lammert
Administrative Law Judge