



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0305236

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THE APPLICATION OF PARSLEY ENERGY OPERATIONS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LONE WOLF 12 (19161) LEASE, WELL NO. 1HB, SPRABERRY (TREND AREA) FIELD, REAGAN COUNTY, TEXAS

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OIL AND GAS DOCKET NO. 7C-0305241

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THE APPLICATION OF PARSLEY ENERGY OPERATIONS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE NUNN 5-44 (19191) LEASE, WELL NO. 1H, SPRABERRY (TREND AREA) FIELD, REAGAN COUNTY, TEXAS

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

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

**HEARING DATE:** August 17, 2017  
**RECORD CLOSED:** August 28, 2017  
**CONFERENCE DATE:** December 5, 2017

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:** Parsley Energy Operations, LLC

Davin McGinnis  
James Clark

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Parsley Energy Operations, LLC (Parsley) seeks exception renewals for its current Statewide Rule 32 exceptions for the following:

- 1) Lone Wolf 12 (19161) Lease, Well No. 1HB, Spraberry (Trend Area) Field Reagan County.

- 2) Nunn 5-44 (19191) Lease, Well No. 1H, Spraberry (Trend Area) Field, Reagan County.

For each application, notice was provided to all offset operators. Both applications originally indicated that the flare points were located in Howard County. On August 18, 2017 notice was provided to offset operators clarifying that the flare points were located in Reagan County. No protests were received. For each application, Parsley is requesting an extension of its current Statewide Rule 32 exception for a period of two years. Parsley plans to drill additional wells of each of the leases during the requested two-year permit extension period. As a result, Parsley is requesting to increase the requested maximum monthly flare volume to 195,000 Mcf per month for each of the leases. Wells on the subject leases are currently tied into sales lines. The request to flare gas is a result of periodic and unpredictable interruptions in service from the casinghead gas gatherer. 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 Parsley.

### **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 5, 2017. The existing exception authority for the Lone Wolf 12 (19161) Lease, Well No. 1HB, and the Nunn 5-44 (19191) Lease, Well No. 1H expires June 27, 2017. Therefore, the operator filed each application for exception renewal with the Commission at least 21 days prior to expiration of the existing exception authority.

#### **Lone Wolf 12 Lease, Well No. 1HB (Lease No. 7C-19161)**

Parsley's Lone Wolf 12 flare point currently serves only the Lone Wolf 12 Lease, Well No. 1HB well. This well is an oil completion in the Spraberry (Trend Area) Field. The well produces sweet casinghead gas and is tied into a sales line. The Lone Wolf 12 No. 1HB began flaring casinghead gas in volumes greater than 50 Mcfd in June 2016 due to periodic and unpredictable interruptions in service from the casinghead gas gatherer. Between June 2016 and July 2017, approximately 21% of total gas production was flared. The average total gas production rate was 338 Mcfd and average gas flare rate was 71 Mcfd.

Four additional wells are planned to be drilled within the two-year period of requested flare authorization. The additional development will result in relatively large production rates, which will rapidly decline. Peak production, which accounts for future development, is expected to be approximately 6,500 Mcfd. Parsley is currently

renegotiating their gas contract, which should result in fewer flaring periods. Parsley seeks to extend the flare permit for the Lone Wolf 12 Lease (Permit No. 27112), to flare a maximum of 195,000 Mcf casinghead gas per month for an additional two years. (June 28, 2017 through June 30, 2019).

#### **Nunn 5-44 Lease Flare Point (Lease No. 7C-19191)**

Parsley's Nunn 5-44 flare point currently serves only the Nunn 5-44 Lease, Well No. 1HB. This well is an oil completion in the Spraberry (Trend Area) Field. The well produces sweet casinghead gas and is tied into a sales line. The Nunn 5-44 No. 1HB began flaring casinghead gas in volumes greater than 50 Mcfd in June 2016 due to periodic and unpredictable interruptions in service from the casinghead gas gatherer.

Between June 2016 and July 2017, less than 5% of total gas production was flared. The average total gas production rate was 842 Mcfd and the average gas flare rate was 37 Mcfd. Parsley plans to drill seven additional wells within the two-year period of requested flare authorization. The additional development will result in relatively large production rates, which will rapidly decline. Peak production, which accounts for future development, is expected to be approximately 6,500 Mcfd. Parsley is currently renegotiating their gas contract, which should result in fewer flaring periods. Parsley seeks to extend the flare permit for the Nunn 5-44 Lease (Permit No. 27113), to flare a maximum of 195,000 Mcf of casinghead gas per month for an additional two years (June 28, 2017 through June 30, 2019).

#### **FINDINGS OF FACT**

1. Notice was provided to offset operators of the flare point for each application.
  - a. Both applications originally indicated that the flare points were located in Howard County.
  - b. On August 18, 2017, notice was provided to offset operators clarifying that the flare points were located in Reagan County.
  - c. No protests were received.
2. On June 5, 2017, the Commission received a hearing request for a Statewide Rule 32 exception renewal for the following:
  - a. Lone Wolf 12 (19161) Lease, Well No. 1HB, Spraberry (Trend Area) Field Reagan County. The expiration date of this flare permit (Permit No. 27112), is June 27, 2017.

- b. Nunn 5-44 (19191) Lease, Well No. 1H, Spraberry (Trend Area) Field, Reagan County. The expiration date of this flare permit (Permit No. 27113), is June 27, 2017.
  - c. Parsley filed each request for an extension of its current exception to Statewide Rule 32 at least 21 days prior to expiration of the existing exception authority.
3. Parsley's Lone Wolf 12 flare point currently serves only the Lone Wolf 12 Lease, Well No. 1HB well.
- a. The Lone Wolf 12 Lease, Well No. 1HB is an oil completion in the Spraberry (Trend Area) Field.
    - i. The well produces sweet casinghead gas and is tied into a sales line.
    - ii. The Lone Wolf 12 No. 1HB began flaring casinghead gas in volumes greater than 50 Mcfd in June 2016 due to periodic and unpredictable interruptions in service from the casinghead gas gatherer.
    - iii. Between June 2016 and July 2017, approximately 21% of total gas production was flared.
    - iv. The average total gas production rate was 338 Mcfd and average gas flare rate was 71 Mcfd.
  - b. Four additional wells are planned to be drilled within the two-year period of requested flare authorization.
  - c. The additional development will result in relatively large production rates, which will rapidly decline.
  - d. Peak production, which accounts for future development, is expected to be approximately 6,500 Mcfd.
  - e. Parsley is currently renegotiating their gas contract, which should result in fewer flaring periods.
  - f. Parsley seeks to extend the permit to flare casinghead gas from its Lone Wolf 12 Lease for an additional two years, from June 28, 2017 through June 30, 2019, to flare a maximum of 195,000 Mcf per month.

4. Parsley's Nunn 5-44 flare point currently serves only the Nunn 5-44 Lease, Well No. 1HB.
  - a. The Nunn 5-44 Lease, Well No. 1HB is an oil completion in the Spraberry (Trend Area) Field.
    - i. The well produces sweet casinghead gas and is tied into a sales line.
    - ii. The Nunn 5-44 No. 1HB began flaring casinghead gas in volumes greater than 50 Mcfd in June 2016 due to periodic and unpredictable interruptions in service from the casinghead gas gatherer.
    - iii. Between June 2016 and July 2017 less than 5% of total gas production was flared.
    - iv. The average total gas production rate was 842 Mcfd and the average gas flare rate was 37 Mcfd.
  - b. Parsley plans to drill seven additional wells within the two-year period of requested flare authorization.
  - c. The additional development will result in relatively large production rates, which will rapidly decline.
  - d. Peak production, which accounts for future development, is expected to be approximately 6,500 Mcfd.
  - e. Parsley is currently renegotiating their gas contract, which should result in fewer flaring periods.
  - f. Parsley seeks to extend the permit to flare casinghead gas from its Nunn 5-44 Lease for an additional two years, from June 28, 2017 through June 30, 2019, to flare a maximum of 195,000 Mcf per month.

#### **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 Lone Wolf 12 (19161) Lease, and the Nunn 5-44 (19191) Lease, for a period of two years, as requested by Parsley.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Ryan Lammert  
Administrative Law Judge