



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL & GAS DOCKET NO. 10-0305439**

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**THE APPLICATION OF CONTINENTAL TREND RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LS RANCH NORTH LEASE, WELL NO. 1642H, HARTLEY WEST (CANYON) FIELD, OLDHAM COUNTY, TEXAS**

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**HEARD BY:** Peggy Laird, P.G. – Technical Examiner  
Robert Musick, P.G. – Technical Examiner  
Jennifer Cook – Administrative Law Judge  
Kristi Reeve – Administrative Law Judge

**HEARING DATE:** September 28, 2017

**CONFERENCE DATE:** December 5, 2017

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Olga Kobzar  
Kerry A. Pollard

Continental Trend Resources, Inc.

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Continental Trend Resources, Inc. ("Continental") seeks an exception to 16 Tex. Admin. Code §3.32 (Statewide Rule 32) for the LS Ranch North Lease, Well No. 1642H, in the Hartley West (Canyon) Field, Oldham County, Texas. At the hearing, the operator requested the field name be corrected from the Wildcat Field as stated in the Notice of Hearing, to the Hartley West (Canyon) Field ("the Field"), as shown in Commission records. Continental seeks authority to flare up to 100 thousand cubic feet ("mcf") of casinghead gas per day for a period of two years. Continental provided evidence that the cost to construct pipeline facilities to bring the gas to market is uneconomical. Absent authority to flare the casinghead gas, Continental argued it would have to shut in the well

and forego production of liquid hydrocarbons, causing waste. Continental is the only operator in the Field and the application was not protested. The Technical Examiner and Administrative Law Judge ("Examiners") recommend the exception be granted.

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Continental 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 Continental requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address Continental'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 LS Ranch North, Well No. 1642H (API 42-359-30382) was completed in the Hartley West (Canyon) Field on December 3, 2013.
3. The well is located 2 miles southwest of Boys Ranch on the west side of Highway 385.
4. On initial potential testing the well produced 265 barrels of oil and 674 mcf gas for a gas-oil ration of 2,543 standard cubic feet per barrel of oil.
5. By Commission Final Order (Oil & Gas Docket No. 10-0300924, issued on February 14, 2017), Continental obtained an exception to flare gas for a period of one year, from July 3, 2016 through July 3, 2017.
6. On June 16, 2017, Continental requested a hearing to obtain continued authority to flare gas from the well.
7. The gas contains high amounts of nitrogen and must be treated prior to selling.

8. The nearest available pipeline for sales is 10.6 miles to the northeast.
9. The cost to build a pipeline to the nearest sales point would result in an operating loss of over two million dollars.
10. The requested flaring authority will allow Continental to continue to produce liquid hydrocarbons from the well.
11. Continental requests a two-year exception to flare up to 100 mcf of casinghead gas per day from the well.
12. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

**CONCLUSIONS OF LAW**

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §§ 1.42.
3. The requested authority to flare casinghead gas satisfies the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32 (h).
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on December 5, 2017.

**EXAMINERS' RECOMMENDATION**

The Examiners recommend approval of the application of Continental Trend Resources, Inc. for an exception to Statewide Rule 32 for the LS Ranch North Lease, Well No. 1642H, in the Hartley West (Canyon) Field, Oldham County, Texas.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Jennifer Cook  
Administrative Law Judge



Robert Musick, P.G.  
Technical Examiner



Kristi Reeve  
Administrative Law Judge