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RANDALL D. COLLINS, *DIRECTOR*

# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0306157

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**THE APPLICATION OF CENTENNIAL RESOURCE PROD, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE GOLDFINGER (45917) LEASE, WELL NO. 1H, HOEFS T-K (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS**

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

**HEARING DATE:** October 26, 2017

**CONFERENCE DATE:** December 5, 2017

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Davin McGinnis  
Ryan Vera

Centennial Resource Prod, LLC

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Centennial Resource Prod, LLC ("Centennial") seeks an exception to 16 Tex. Admin. Code §3.32 (Statewide Rule 32) for the Goldfinger Lease, Well No. 1H ("the Lease"), Hoefs T-K (Wolfcamp) Field, Reeves County, Texas. Centennial seeks authority to flare up to 3,000 MCF of casinghead gas per month ("MCFM") for two years from August 31, 2017 through August 30, 2019. Centennial requests that it be granted flexibility in flaring casinghead gas by allowing it a monthly volume limitation as opposed to a daily volume limitation. Centennial considers a monthly volume limitation will provide it greater ability to adhere to the Commission requirements. The gas produced and flared through this facility contains hydrogen sulfide, which must be treated to reach specification before it can be placed into a gas gathering, sales and transmission system. Centennial provided evidence that it is uneconomical at this time to sweeten the gas to pipeline specifications.

Absent authority to flare the casinghead gas, Centennial argued it would have to shut in the well and forego production of liquid hydrocarbons, causing waste. No objections were filed, 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. Centennial 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 Centennial requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address Centennial's request for an exception is through a hearing resulting in a final order signed by the Commission.

Mr. Ryan Vera, who is a Senior Petroleum Engineer with Centennial, testified as an expert in petroleum engineering on behalf of Centennial. His responsibilities include post-production operation and maintenance of wells in Reeves County.

#### **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. Centennial received administrative authority (Permit No. 29865) allowing them to flare 150 of casinghead gas per day from the Lease for 180 days, from March 1, 2017 through August 30, 2017.
3. On August 7, 2017, Centennial requested a hearing to obtain continued authority to flare gas from the well.
4. Centennial demonstrated that day-to-day fluctuations in flaring requirements justify the issuance of a monthly, rather than daily, flare volume authority for the Lease.
5. The gas contains high amounts of hydrogen sulfide (1,600 parts per million) and must be treated prior to selling.

6. Centennial provided evidence that it is uneconomical at this time to sweeten the gas to pipeline specifications.
7. There is limited infrastructure to connect to sales for the sour gas.
8. Centennial requests a two-year exception from August 31, 2017 through August 30, 2019, to flare up to 3,000 MCFM from the Lease.
9. The requested flaring authority will allow Centennial to continue to produce liquid hydrocarbons from the well.
10. 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 Centennial Resource Prod, LLC for an exception to Statewide Rule 32 for the Goldfinger Lease, Well No. 1H, Hoefs T-K (Wolfcamp) Field, Reeves County, Texas.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Jennifer Cook  
Administrative Law Judge