



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 06-0307229

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**THE APPLICATION OF CHESAPEAKE OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR A FLARE GAS PERMIT FOR THE COVINGTON LEASE, WELL NO. 1H, GIRLIE CALDWELL (GOODLAND LM) FIELD, SMITH COUNTY, TEXAS**

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**HEARD BY:** Robert Musick, P.G. – Technical Examiner  
Kristi M. Reeve – Administrative Law Judge

**HEARING DATE:** December 7, 2017

**CONFERENCE DATE:** February 13, 2018

**APPEARANCES:**

Bill G. Spencer  
Jim M. Clark, P.E.

**REPRESENTING:**

Chesapeake Operating, LLC  
Wellington Consulting for Chesapeake  
Operating, LLC

**REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Chesapeake Operating, LLC ("Chesapeake") seeks Commission authority to flare gas from the Covington Lease, Well No. 1H ("Covington 1H Well"), Girlie Caldwell (Goodland LM) Field, Smith County, Texas. Chesapeake was authorized through Commission Permit No. 30356 to flare gas associated with the Covington 1H Well for a period of 180 days expiring on January 1, 2018.

Chesapeake is seeking authorization from the Commission for a two-year period to flare up to 200 thousand cubic feet per day (mcf) of gas from the Covington 1H Well flare point. Chesapeake has determined it is uneconomic to install an approximately three-mile flowline from the Covington 1H Well flare point to connect to a gas vender

transmission pipeline. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Covington 1H Well lease. The technical examiner and the administrative law judge ("Examiners") recommend the exception be granted.

### **DISCUSSION OF THE EVIDENCE**

Chesapeake produces casinghead gas from a single well, the Covington 1H Well, in the Girlie Caldwell (Goodland LM) Field, in Smith County, Texas. Chesapeake determined that selling the gas was uneconomic at this time. To remain compliant with Commission requirements, Chesapeake received administrative authority through Permit No. 30356 on September 18, 2017, to flare a maximum of 500 mcf/d of gas from the Covington 1H Well flare point (Exhibit No. 1). Permit No. 30356 granted Commission authority from July 4, 2017 through October 2, 2017, for a period of 90 days. On September 18, 2017, the authority was extended for another 90 days administratively through Permit No. 30356, and scheduled to expire on January 1, 2018 (Exhibit No. 1).

Chesapeake requested a hearing on October 13, 2017, to continue the flaring authority by a Commission final order for a period of two years (Exhibit No. 2). A Notice of Hearing was issued by the Commission on October 27, 2017 to adjacent operators in the Girlie Caldwell (Goodland LM) Field, Smith County, Texas. On December 7, 2017, a hearing was held to extend the flaring authority by the Commission for the two years requested by the applicant, from January 2, 2018 through January 1, 2020 (Exhibit No. 7). Chesapeake request authority to flare up to 200 mcf/d of gas from the Covington 1H Well flare point (Exhibit No. 7).

A cost-benefit analysis was performed by Chesapeake to identify the nearest gas transmission pipelines to the Covington 1H Well flare point. The analysis established the distances from the Covington 1H Well flare point to different gas vender pipelines with three different pipelines located from 3.06 miles to 4.47 miles from the Covington 1H Well flare point (Exhibit No. 3). Exhibit Nos. 3, 4, 5 and 6 outline the economics of connecting to the vendors and concluded the total revenue from gas sales will not offset the cost of the flowline and connection to the vender's gas pipelines. Chesapeake calculates marketing the gas is uneconomic for the Covington 1H Well at this time.

### **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. There were no protests to the applications.
2. Chesapeake calculates marketing the gas is uneconomic for the Covington 1H Well at this time.
3. Covington 1H Well flare point is connected to a single well, the Covington 1H Well, that is completed in the Girlie Caldwell (Goodland LM) Field, Smith County.

4. Chesapeake received administrative authority through Permit No. 30356 on September 18, 2017 to flare up to 500 mcf of casinghead gas from July 4, 2017 through October 2, 2017 from the Covington 1H Well flare point. On September 18, 2017, the flaring authority was administratively extended through Permit No. 30356 for another 90 days and scheduled to expire on January 1, 2018.
5. Chesapeake applied for a hearing to extend the flaring authority more than 21 days before the Permit (No. 30356) authorization expired on January 1, 2018.
6. Chesapeake is requesting to flare up to 200 mcf of gas from the Covington 1H Well for a period of two years starting on January 2, 2018 through January 1, 2020.
7. Continued authority from the Commission to flare casinghead gas will allow Chesapeake to produce oil and condensate. Without a Final Order authorizing the flaring, Chesapeake will be required to shut the well in causing waste and possible harm to the reservoir.
8. 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. 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. Chesapeake 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 well connected to the subject flare point.
4. Continued authority to flare gas will prevent waste and protect correlative rights.
5. 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 by the Commission.

#### **RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Chesapeake to flare up to 200 mcf of gas from the Covington 1H Well from the date of expiration of the

administrative Permit No. 30356 for a period of two years. The proposed authorization will be from January 2, 2018 through January 1, 2020.

Respectfully submitted,



Robert Musick, P. G.  
Technical Examiner



Kristi M. Reeve  
Administrative Law Judge