



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0306052

THE APPLICATION OF NBL PERMIAN, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR FLARE GAS PERMIT FOR THE THURMAN 143-13 LEASE, WELL NO. 1H, HOEFS T-K (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0306053

THE APPLICATION OF NBL PERMIAN, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR FLARE GAS PERMIT FOR THE LONGORIA 11 LEASE, HOEFS T-K (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

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

HEARING DATE: October 26, 2017

CONFERENCE DATE: February 13, 2018

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Lindsay Rodriguez

NBL Permian, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

NBL Permian, LLC ("NBL") seeks exceptions to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas from the Thurman 143-13 Lease, Well No. 1H, and from the Longoria 11 Lease, multiple wells, in the Hoefs T-K (Wolfcamp) Field, Reeves County, Texas. The gas produced and flared through these facilities contains hydrogen sulfide, which must be treated to reach specification before it can be placed into a gas gathering, sales and transmission system. Costs to treat the gas are economically prohibitive on the Thurman 143-13 Lease and all gas from that lease must be flared, up to 500 thousand cubic feet ("MCF") of gas per day ("MCFD"). Most of the gas can be sold from the Longoria 11 Lease, but system interruptions from the purchaser's pipeline

require flaring up to 25% of the casinghead production, or 1,500 MCFD, from the Longoria 11 Lease. NBL seeks to extend its authority to flare for two years from July 31, 2017 through July 30, 2019.

All offset operators in the subject field were notified of the hearing. The captioned dockets were consolidated for this hearing. There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exceptions to Statewide Rule 32.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. NBL seeks relief in the captioned dockets 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 NBL requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address NBL's request for an exception is through a hearing resulting in a final order signed by the Commission.

On August 24, 2016, the previous operator Clayton Williams Energy, Inc. ("Clayton") was granted authority by Final Order 08-0300642 to flare up to 500 MCFD from the Thurman 143-13 Lease, Well No. 1-H from May 18, 2016 to May 17, 2017. Clayton was also granted authority on August 24, 2016, by Final Order 08-0300708 to flare up to 350 MCFD from the Longoria 11 Lease, Well No. 1H from August 13, 2016 to August 12, 2017.¹

NBL became the P-4 operator of the subject leases on April 25, 2017.² The subject leases and wells referenced in the captioned dockets are the same as stated in the previous Final Orders. NBL applied for its own administrative flaring authority on July 19, 2017, and received authority (Permit No. 30619) to flare up to 500 MCFD from

¹ See NBL Exhs. 3 and 4 in each docket.

² Testimony of NBL witness Lindsay Rodriguez.

the Thurman 143-13 Lease from April 25, 2017 through July 31, 2017. NBL also received authority (Permit No. 30618) to flare up to 400 MCFD from the Longoria 11 Lease from April 25, 2017 through July 31, 2017. Flaring authority for the subject leases was continued from August 1, 2017 through October 15, 2017. NBL's request for a hearing to amend the flaring authority was received July 26, 2017.³

NBL reported there is one well, No. 1H, and one flare point on the Thurman 143-13 Lease. There are currently two producing wells, No. 1H and 2H, on the Longoria 11 Lease. A third well has been drilled on the Longoria 11 Lease, with completion expected in November 2017, while a fourth well is planned for year 2018 on the same lease. NBL anticipates the third and fourth wells will produce at rates comparable to the Longoria 11 Lease, Well No. 2H. All wells on the Longoria 11 lease utilize one flare point.

NBL stated the need to flare remains the same as previously reported. Sour gas concentration from the wells has increased over time, requiring treatment before sales. There are no sour gas pipelines near the Thurman 143-13 Lease, and costs of treating significantly exceed the value of the gas. Therefore, NBL asserts that flaring all the H₂S gas is the only safe and economically viable method of disposition for the Thurman 143-13 Lease. Gas is marketed from the Longoria 11 Lease, but system interruptions require flaring up to 25% of produced casinghead gas volumes.

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. There were no protests to the application.
2. The Thurman 143-13 Lease, Well No. 1H, and the Longoria 11 Lease, Well No. 1H and 2H, are both located in the Hoefs T-K (Wolfcamp) Field, Reeves County, Texas
3. On July 20, 2017, NBL was granted administrative authority to flare up to 500 MCFD from the Thurman 143-13 Lease, Well No. 1-H from April 25, 2017 to July 31, 2017.
4. On July 20, 2017 NBL was granted administrative authority to flare up to 400 MCFD from the Longoria 11 Lease from April 25, 2017 to July 31, 2017.
5. Flaring authority for the subject leases was continued from August 1, 2017 through October 15, 2017.
6. There is one well and one flare point on the Thurman 143-13 Lease.

³ See NBL Exh. 5 in each docket.

7. There are currently two producing wells on the Longoria 11 Lease, with two other completions expected. All wells utilize one flare point.
8. Sour gas is produced from the subject leases, and the gas does not meet the pipeline specifications for sweet gas facilities.
9. NBL indicated that pipeline and/or treatment options were not economically viable, and requests authority to flare all gas produced from the Thurman 143-13 Lease, estimated to be up to 500 MCFD.
10. NBL indicated that most of the Longoria 11 Lease gas can be sold but system interruptions require flaring up to 25% of the total production. NBL anticipates flaring up to 1500 MCFD from the lease.
11. 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 exceptions to flare casinghead gas meets 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 the Final Order is signed on February 13, 2018.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant exceptions to Statewide Rule 32 for the Thurman 143-13 Lease, Well No. 1-H, and the Longoria 11 Lease, as requested by NBL Permian, LLC.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Jennifer Cook
Administrative Law Judge