



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET No. 08-0308946**

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**THE APPLICATION OF CAPITAN ENERGY, INCORPORATED FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, VARIOUS WELLS, FORD, WEST (WOLFCAMP) FIELD, CULBERSON AND REEVES COUNTIES, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Jennifer Cook – Administrative Law Judge

**HEARING DATE:** March 6, 2018  
**CONFERENCE DATE:** April 10, 2018

**APPEARANCES:**

George Neale  
Donna Chandler  
Dan Huber

**REPRESENTING:**

Capitan Energy, Incorporated

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Capitan Energy, Incorporated ("Capitan") seeks exception renewals to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas produced from thirty-one wells it operates in the Ford, West (Wolfcamp) Field, Culberson and Reeves Counties, Texas. Capitan seeks authority to flare gas from the wells for a period of two years. Notice was provided to all operators in the Ford, West (Wolfcamp) Field and no protests were received. The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

#### **DISCUSSION OF THE EVIDENCE**

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. More 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. On January 29, 2018, the Commission received a hearing request from Capitan to extend its current

Statewide Rule 32 exceptions for five wells which have previously received administrative flaring authority. On February 8, 2018, the Commission received a request from Capitan to extend its current Statewide Rule 32 exceptions for an additional 26 wells which had previously received administrative flaring authority. Of the thirty-one wells, twenty-four have had flare renewals approved after notice and hearing. The existing flaring authority is summarized in Table 1 and the requested flare volume for each of the 31 wells/flare points is summarized in Table 2.

Table 1: Existing Flaring Authority

<u>Lease</u>	<u>Well No.</u>	<u>API No.</u>	<u>Lease ID or Drilling Permit</u>	<u>Flare Permit</u>	<u>Expiration Date</u>
Alice Fee 34	1H	109-32887	279309	25549	6/30/2018
Ava State 36	2H	389-36322	830400 (DP)	32145	1/29/2018
Cliff Fee 4	1H	109-32900	279788	26579	6/30/2018
Dale State	1	109-32351	266036	24961	6/1/2018
Dorothy State 12	1H	109-32767	277500	24958	6/1/2018
Georgette State	2H	109-32700	277487	24951	6/1/2018
J. S. Blair Fee 2	1H	109-32874	279787	26580	6/2/2018
J. S. Blair Fee 2	3H	109-33143	828676 (DP)	31981	3/6/2018
James Fee 6	1H	109-32829	279288	24953	6/1/2018
James Fee 6	2H	109-33099	826128 (DP)	31263	3/1/2018
Jess Fee 40	1H	109-32842	279168	24314	1/5/2018
Jess Fee 40	2H	109-32913	280741	27040	8/31/2018
Karen Fee 17	1H	109-32801	277679	24952	6/1/2018
Lauren State 30	1H	109-32691	276194	24954	6/1/2018
Mother Fee 28	1H	109-32888	279887	25548	6/30/2018
Pat Fee 4	1H	109-32861	278966	25149	4/10/2018
Pat Fee 4	3H	109-33144	828665 (DP)	31982	3/3/2018
Roxanne Fee 46	1H	109-32886	279347	25147	6/28/2018
Roxanne Fee 46	2H	109-33111	826567 (DP)	31265	3/2/2018
Rylan Fee 44	1H	109-32755	277501	24956	6/1/2018
Scott Fee 36	1H	109-32637	276168	24955	6/1/2018
Scott Fee 36	2H	109-33163	829939 (DP)	31983	3/11/2018
Shelly Fee 40	1H	109-32877	279456	25148	6/28/2018
State J. E. Liles 6	1H	109-32869	279686	25150	5/13/2018
State J. E. Liles 6	2H	109-33100	826135 (DP)	31264	2/27/2018
State Mattie 2	1H	109-32894	279784	26356	5/29/2018
State Mike 3	1H	109-32897	279777	26355	5/29/2018
Tyson Fee 44	1H	109-32677	276158	24957	6/1/2018
W A State	2H	109-32649	276149	24960	6/1/2018
W A State	3H	109-32862	279156	24950	6/1/2018
William Fee 32	1H	109-32802	279059	24313	1/5/2018

Table 2 Requested Statewide Rule 32 Exception Summary

<u>Lease</u>	<u>API No.</u>	<u>Lease ID or Drilling Permit</u>	<u>Flare Permit No.</u>	<u>Requested Volume (Mcf/d)</u>
Alice Fee 34 #1H	109-32887	279309	25549	200
Ava State 36 #2H	389-36322	830400 (DP)	32145	350
Cliff Fee 4 #1H	109-32900	279788	26579	550
Dale State #1	109-32351	266036	24961	100
Dorothy State 12 #1H	109-32767	277500	24958	200
Georgette State #2H	109-32700	277487	24951	100
J. S. Blair Fee 2 #1H	109-32874	279787	26580	600
J. S. Blair Fee 2 #3H	109-33143	828676 (DP)	31981	400
James Fee 6 #1H	109-32829	279288	24953	300
James Fee 6 #2H	109-33099	826128 (DP)	31263	450
Jess Fee 40 #1H	109-32842	279168	24314	300
Jess Fee 40 #2H	109-32913	280741	27040	200
Karen Fee 17 #1H	109-32801	277679	24952	100
Lauren State 30 #1H	109-32691	276194	24954	400
Mother Fee 28 #1H	109-32888	279887	25548	300
Pat Fee 4 #1H	109-32861	278966	25149	400
Pat Fee 4 #3H	109-33144	828665 (DP)	31982	250
Roxanne Fee 46 #1H	109-32886	279347	25147	100
Roxanne Fee 46 #2H	109-33111	826567 (DP)	31265	350
Rylan Fee 44 #1H	109-32755	277501	24956	100
Scott Fee 36 #1H	109-32637	276168	24955	350
Scott Fee 36 #2H	109-33163	829939 (DP)	31983	350
Shelly Fee 40 #1H	109-32877	279456	25148	150
State J. E. Liles 6 #1H	109-32869	279686	25150	350
State J. E. Liles 6 #2H	109-33100	826135 (DP)	31264	400
State Mattie 2 #1H	109-32894	279784	26356	100
State Mike 3 #1H	109-32897	279777	26355	100
Tyson Fee 44 #1H	109-32677	276158	24957	350
W A State #2H	109-32649	276149	24960	100
W A State #3H	109-32862	279156	24950	200
William Fee 32 #1H	109-32802	279059	24313	200

The 31 subject wells are connected to a gas gathering, sales and transmission system. However, there have been numerous pipeline capacity constraints which have been very unpredictable, requiring Capitan to flare gas from the wells on an intermittent

basis. The production histories of the wells demonstrate that average flaring can range from less than 10 MCFD to over 500 MCFD.

The development of the Wolfcamp in the immediate area has resulted in an increase in infrastructure including lines, compressors and cryogenic plants. When any of these components go down, production into the sales lines must be limited. A new cryogenic plant is expected to be operational by mid-2018. This plant will be capable of processing 60 MMCFD. Although this plant installation is expected to alleviate the need to flare from these wells in the future, Capitan is requesting flaring authority for two years, commencing on January 29, 2018, to permit flaring in the event of potential future system upsets.

Capitan agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to all operators in the Ford, West (Wolfcamp) Field at least ten days prior to the date of the hearing. There were no protests to the application.
2. On January 29, 2018, the Commission received a hearing request from Capitan to extend its current Statewide Rule 32 exceptions for five wells which have previously received flaring authority. On February 8, 2018, the Commission received a request from Capitan to extend its current Statewide Rule 32 exceptions for an additional twenty-six wells which had previously received flaring authority.
3. The thirty-one wells subject to this docket produce from the Ford, West (Wolfcamp) Field in Culberson and Reeves Counties, Texas.
4. Capitan requests an exception to Statewide Rule 32 for a period of two years for each of the flare points.
5. The eight subject wells are connected to a gas gathering, sales and transmission system. There have been numerous unpredictable pipeline capacity constraints requiring Capitan to flare gas from the wells on an intermittent basis.
6. The development of the Wolfcamp in the immediate area has resulted in an increase in infrastructure including lines, compressors and cryogenic plants. When any of these components go down, production into the sales lines must be limited.

7. A new cryogenic plant is expected to be operational in the next few months which will be capable of processing up to 60 MMCFD. This plant installation is expected to alleviate the need to flare from these wells in the future.
8. The requested flaring authority will allow Capitan to continue to produce the wells during times when sales are constricted.
9. Capitan agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

### **CONCLUSIONS OF LAW**

1. 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)(4) provides for an exception for more than 180 days and for volume greater than 50 MCFD.
4. Pursuant to Texas Government Code §2001.144(a)(4)(A), this Final Order is final and effective on the date a Master Order relating to this Final Order is signed on April 10, 2018.

### **EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order approving the application of Capitan for authority to flare gas from the subject thirty-one wells in the Ford, West (Wolfcamp) Field, Culberson and Reeves Counties, Texas, for a period of two years, commencing on January 29, 2018, as requested by Capitan.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Jennifer Cook  
Administrative Law Judge