

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 05-0309383

GRANTING THE APPLICATION OF ETX ENERGY, LLC, FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE NGR FIVELAND (04240) LEASE, WELL NO. 1H, AGUILA VADO (EAGLEFORD) FIELD, GRIMES COUNTY, TEXAS

HEARD BY: Robert Musick – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: April 4, 2018

CONFERENCE DATE: May 22, 2018

APPEARANCES:

APPLICANT:

John W. Camp
Tim Smith

REPRESENTING:

ETX Energy, LLC

REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

ETX Energy, LLC (“ETX”) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from the NGR Fiveland (04240) Lease, Well No. 1H, Aguila Vado (Eagleford) Field, Grimes County, Texas.

ETX requests authority to flare a maximum of 150 thousand cubic feet per day (“MCFPD”) from the NGR Fiveland Well No. 1H, flare point for a period of 18 months. The proposed flaring authorization will be from May 23, 2018 through November 22, 2019.

The application is not protested and the Technical Examiner and Administrative Law Judge (collectively, “Examiners”) recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

The NGR Fiveland (No. 04240) Lease is in the Aguila Vado (Eagleford) Field (No. 00870500), Grimes County, Texas. ETX is the operator (Operator No. 255141) for the lease. The lease has a well, identified as the NGR Fireland Well No. 1H (API No. 18530868), located on a lease-block that spans roughly 1,100 acres. Testimony in the hearing indicates the NGR

Fiveland Well No. 1H, typically produces less than 150 MCFPD, with produced volumes decreasing over time to about 50 to 60 MCFPD in late-2017.

Testimony in the hearing established that the lease does not have a connection to a sales pipeline. Therefore, ETX obtained an administrative permit (No. 23994) for the NGR Fiveland Well No. 1H to flare 1,500 MCFPD of casinghead gas for 90 days, from 9/18/2015 through 12/17/2015, and 700 MCFPD of casinghead gas for an additional 90 days, from 12/18/2015 through 3/17/2016.

On July 26, 2016, a hearing under Oil & Gas Docket No. 05-0300805 was held to extend the flaring authority which resulted in a Final Order issued on October 25, 2016 ("2016 Final Order"). The 2016 Final Order authorized an 18-month flare exception with authority to flare 200 MCFPD casinghead gas from the Fiveland Well No. 1H, flare point, which expired on September 18, 2017.

ETX did not seek an exception to Statewide Rule 32 prior to the expiration date of the 2016 Final Order. Testimony indicates that a gas meter orifice malfunctioned which indicated that the volume of gas being produced was less than 50 MCFPD and eligible for an administrative exemption through Statewide Rule 32. By the time the error was detected, the 2016 Final Order had expired and the NGR Fiveland Well No. 1H was non-compliant with Statewide Rule 32. In response, the Commission issued a Notice of Intent to Cancel the P-4 Certificate of Compliance, dated February 1, 2018.

To rectify the non-compliance, ETX requested a hearing to extend the flaring authority under Statewide Rule 32 for the NGR Fiveland Well No. 1H, flare point. Without a Final Order authorizing the flaring, ETX will be required to shut the wells in, which will cause waste and possible harm to the reservoir. A Notice of Hearing was issued by the Commission on March 6, 2018, to adjacent operators. A hearing was held on April 4, 2018. ETX is seeking continued authorization from the Commission for an eighteen-month period to flare up to 150 MCFPD of gas from the NGR Fiveland Well No. 1H, flare point.

ETX introduced evidence into the record showing that the nearest pipeline connection is over two miles from the NGR Fiveland Well No. 1H. Testimony and exhibits established the cost to connect to a sales line would be approximately \$860,000. ETX determined the cost of marketing the casinghead gas to be uneconomic.

The flaring authorization is a measure to ensure legal disposition of all casinghead gas. The Examiners recommend the exception be granted.

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 this application.
2. The NGR Fiveland (04240) Lease is in the Aguila Vado (Eagleford) Field (No. 00870500), Grimes County, Texas. ETX Energy, LLC is the operator (Operator No. 255141) for the lease.
3. The Lease has a well, identified as the NGR Fiveland Well No. 1H (API No. 18530868), located on a lease-block that spans roughly 1,100 acres.

4. The NGR Fiveland Well No. 1H, typically produces less than 150 MCFPD, with gas volumes in late-2017 at about 50 to 60 MCFPD.
5. The Lease is not connected to a sales pipeline because the nearest connection is two miles from the NGR Fiveland Well No. 1H.
6. ETX obtained an administrative permit (No. 23994) for NGR Fiveland Well No. 1H. The well was permitted to flare 1,500 MCFPD of casinghead gas for 90 days, from 9/18/2015 through 12/17/2015, and 700 MCFD of gas for 90 days, from 12/18/2015 through 3/17/2016. To continue flaring authority, a hearing was held under Oil & Gas Docket No. 05-0300805 on July 26, 2016. The Final Order issued on October 25, 2016, authorized an 18-month flare exception with authority to flare 200 MCFPD of casinghead gas from the Fiveland Well No.1H, which expired on September 18, 2017.
7. ETX did not seek an exception to Statewide Rule 32 prior to the expiration of the Final Order issued on October 25, 2016. Testimony indicates that a gas meter orifice malfunctioned and indicated that the volume of gas being produced was less than 50 MCFPD and eligible for an administrative exemption through Statewide Rule 32. Once the error was detected, the Final Order (issued on October 25, 2016) had expired and the well was non-compliant with Statewide Rule 32. In response, the Commission issued a Notice of Intent to Cancel the P-4 Certificate of Compliance, dated February 1, 2018.
8. The Commission issued a Notice of Intent to Cancel the P-4 Certificate of Compliance, dated February 1, 2018. Violations noted were failure to obtain a permit to flare/vent casinghead gas.
9. On February 9, 2018, ETX requested a hearing to extend the flaring authority under Statewide Rule 32, to flare casinghead gas from a flare point associated with the NGR Fiveland (04240) Lease.
10. A hearing was held on April 4, 2018. ETX requested authority to flare a maximum of 150 MCFPD from the NGR Fiveland Well No. 1H, flare point for a period of 18 months. The proposed flaring authorization will be from May 23, 2018 through November 22, 2019.
11. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Leases.
12. Without a Final Order authorizing the flaring, ETX will be required to shut the well in causing waste and possible harm to the reservoir.
13. In 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 §1.42.

3. ETX Energy, LLC 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 casinghead gas produced from the two leases.
4. Pursuant to § 2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant, this Final Order is effective when a Master Order relating to the Final Order is presented at Commission conference and signed by the Commissioners

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter into an order granting the application of ETX Energy, LLC to flare a maximum of 150 MCFPD from the NGR Fiveland Well No. 1H, flare point for a period of 18 months. The proposed flaring authorization will be from May 23, 2018 through November 22, 2019.

Respectfully submitted,



Robert Musick
Technical Examiner



Kristi M. Reeve
Administrative Law Judge