



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET No. 03-0309133

APPLICATION OF DENBURY ONSHORE, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CONROE OFFICE FLARE PERMIT NO. 32059, CONROE FIELD, MONTGOMERY COUNTY, TEXAS

HEARD BY: Peggy A. Laird, P.G. – Technical Examiner
Clayton J. Hoover – Administrative Law Judge

HEARING DATE: May 16, 2018

CONFERENCE DATE: August 21, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT:

Glenn E. Johnson	Denbury Onshore, LLC
Jason Wright	
Veronica Carr	
Henry (JR) Roman	
Brandi Johnson	
David C. Triana	

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Denbury Onshore, LLC ("Denbury") seeks an exception to Statewide Rule 32 to flare casinghead gas from the Conroe Office Flare Permit No. 32059 (the "Unit"), Conroe Field, Montgomery County, Texas. The Unit consists of 19,000 acres with 75 gas wells and 6 oil leases. Denbury has a legal use for all gas produced from the Unit for gas lift operations, fuel gas, and gas sales. Intermittent, unforeseen system upsets and weather-related events require Denbury to periodically flare gas from the Unit to avoid shutting in the wells. Denbury now seeks authority to flare up to 5.6 MMCF of casinghead gas per day ("MMCFD") from the Unit from March 21, 2018 through March 20, 2020.

Notice was provided to offset operators in the fields surrounding the flare points and no protests were received. The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend granting an exception to Statewide 32 to flare casinghead gas for each of the applications.

DISCUSSION OF THE EVIDENCE

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

Denbury acquired the Unit from Wapiti Energy, LLC and continued to use SouthCross as the handler and seller of natural gas until it ceased operation in December 2016. The Unit consists of 19,000 acres with 75 gas wells and 6 oil leases. Denbury constructed a centralized gas gathering system with a central flare after the SouthCross went out of business. During the construction and start-up of the gathering system, Denbury was granted flaring authority by administrative orders. Permit No. 28519 for up to 2,000 MCFD and Permit No. 28520 for up to 3,000 MCFD were authorized from December 19, 2016 through April 30, 2017. Permit No. 32059 authorized flaring up to 584 MCFD from July 1, 2017 through October 31, 2017, and up to 675 MCFD from November 1, 2017 through March 20, 2018. In early 2018 additional wells in the Unit were added to Permit No. 32059. On January 30, 2018, Denbury requested a hearing to extend the flaring authority for all the wells in the Unit. Denbury now seeks authority under Permit No. 32059 to flare up to 5.6 MMCFD from the Unit from March 21, 2018 through March 20, 2020.

Denbury has a legal use for all gas produced from the Unit for gas lift operations, fuel gas, and gas sales. Intermittent, unforeseen system upsets and weather-related events require Denbury to periodically flare gas from the Unit to avoid shutting in the wells. Denbury reported that the stabilization of the Unit's central facility is still being conducted. Based on operational history, Denbury estimates flare capacity of up to 5.6 MMCFD is needed to cover a central system upset.

FINDINGS OF FACT

1. Proper notice of these hearings 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. Denbury has a legal use for all gas produced from the Unit. System upsets and weather-related events require Denbury to periodically flare gas from the Unit.

3. By administrative permits, the Unit was previously granted authority by the Railroad Commission to flare casinghead gas.
4. On January 30, 2018, Denbury requested a hearing to obtain continued authority to flare gas.
5. Denbury is requesting the following authority:
 - Conroe Office Flare Permit No. 32059, Conroe Field, Montgomery County, Texas, up to 5.6 MMCFD from March 21, 2018 through March 20, 2020.
6. 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 August 21, 2018.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the exception to Statewide Rule 32 as requested by Denbury Onshore, LLC.

Respectfully submitted,



Peggy A. Laird, P.G.
Technical Examiner



Clayton J. Hoover
Administrative Law Judge