



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET No. 08-0309134

THE APPLICATION OF CITATION OIL & GAS CORP. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS TANK BATTERIES, SATELLITES, AND/OR LEASES, HOWARD GLASSCOCK (CONSOLIDATED), HOWARD GLASSCOCK (WOLFCAMP 7400), DEADWOOD (FUSSELMAN), AND JAILHOUSE (FUSSELMAN) FIELDS, HOWARD COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Kristi M. Reeve– Administrative Law Judge

HEARING DATE: April 20, 2018
RECORD CLOSED: May 2, 2018
CONFERENCE DATE: August 21, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT: Citation Oil & Gas Corp.

Taylor Holcomb
Bob Redweik

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Citation Oil & Gas Corp. (Citation) seeks the renewal of a Statewide Rule 32 exception granted to Conoco Phillips Company (COP) in Final Order No. 08-0306762. By rule, exceptions to Statewide Rule 32 do not transfer with a change in operator. Notice of the application was provided to offset operators. The application is unprotested 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. 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. The Commission received a hearing request for an existing Statewide Rule 32 exception change of operator on February 1, 2018 after Citation acquired these properties from COP and became the P-4 operator. Citation requests to renew the previous exception to Statewide Rule 32 granted to COP in Final Order No. 08-0306762 for the subject facilities to flare/vent a combined maximum of 2,562 Mcfd of casinghead gas for a period of two years.

Just as the previous operator of these properties had a need to flare from time-to-time, Citation anticipates a need to flare at times. An acid gas injection (AGI) plant was constructed around 2015 to treat the associated sour gas produced with oil to meet sales specifications. Hydrogen sulfide, (H₂S), and carbon dioxide (CO₂) must be removed from the gas before the gas can be sold. The AGI plant accepts sour gas and processes the gas through an amine system, where the H₂S and CO₂ are removed, and then injected into an acid gas injection well. The "clean gas" then goes to a dehydration system where water is removed before going to compression and sales.

The treated gas goes to a DCP gas sales line. If the DCP sales line has line pressure issues, or plant issues that prevents Citation from selling the gas, Citation would have a need to flare the gas during those gas sales interruption periods. The need to flare may arise due to sales gas issues, scheduled plant maintenance, compressor problems, AGI well problems, or power loss, which could result in Citation not being able to inject the acid gas and require flaring at the AGI plant.

The wells in this area produce a lot of water. If the wells were to be shut-in, it would take a long time for the wells to return to their optimal production. So what COP has done in the past, and what Citation is requesting, is an exception to Statewide Rule 32 to continue producing the oil wells so as not to affect the production of the wells, maximizing the recovery of oil, and safely treating and selling the gas.

If an issue with selling all the gas arises, there are flare stacks in the field at the tank batteries where that gas can be safely burned. If not authorized to flare, Citation would not be able to produce the majority of wells in the field and would have to shut wells in. If the need to flare arises, flaring would occur at either the AGI plant or the tank batteries, but not both at the same time. Citation's preference would be to flare at the AGI plant if possible, but there may be times when plant is shut down and Citation is not able to flare at the plant, at which time flaring/venting would occur at the tank batteries. Sweet gas may be vented instead of flared because there are no flares located at those sweet facilities and Citation has the ability to vent in compliance with Commission rules. Attachment A lists the facilities, plants, batteries, and leases included in this Statewide Rule 32 exception application.

Citation agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the 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 application and notice of hearing was provided to offset operators at least ten days prior to the date of hearing. The application is unopposed.
2. The Commission received a hearing request for an existing Statewide Rule 32 exception on February 1, 2018, after Citation acquired these properties from COP and became the operator.
3. Citation requests to renew the previous exception to Statewide Rule 32 granted to COP in Final Order No. 08-0306762 for the subject facilities to flare/vent a combined maximum of 2,562 Mcfd of casinghead gas for a period of two years.
4. Citation anticipates a need to flare at times. An acid gas injection plant treats the associated sour gas produced with oil to meet gas sales line specifications. H₂S and CO₂ must be removed from the gas before the gas can be sold. Flaring may occur at the AGI Plant for a number of reasons.
 - a. For this plant, Citation sells into a DCP gas sales line. If the DCP sales line has line pressure issues, or plant issues that prevents Citation from selling the gas. Citation would have a need to flare the gas during those gas sales interruption periods.
 - b. Scheduled plant maintenance, compressor problems, AGI well problems, or power loss, could result in Citation not being able to inject the acid gas and require flaring at the AGI plant.
5. The wells in this area produce a lot of water. If the wells are shut-in, it takes a long time for the wells to return to their optimal production.
6. An exception to Statewide Rule 32 would allow Citation to continue producing the oil wells and not affect the production of the wells, maximizing the recovery of oil and safely treating and selling the gas.
 - a. If there is a problem, there are flare stacks in the field at the tank batteries where that gas can be safely burned.
 - b. If the need to flare arises, flaring would occur at either the AGI plant or the tank batteries, but not both at the same time.
 - c. Citation's preference would be to flare at the AGI plant if possible, but there may be times when plant is shut down and Citation is not able to flare at the plant, at which time flaring/venting would occur at the tank batteries. Sweet gas may be vented instead of flared

because there are no flares located at those sweet facilities and Citation has the ability to vent in compliance with Commission rules

- d. If not authorized to flare, Citation would not be able to produce the majority of wells in the field and would have to shut wells in.
7. Citation agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), these Final Orders shall be final and effective on the date a Master Order relating to these Final Orders 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) provides for an exception to Statewide Rule 32.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order is final and effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 to flare/vent a maximum of 2,562 Mcf of casinghead gas per day from the facilities/tank batteries/flare points listed in Attachment A, and any commingled production associated with any of the properties or tank batteries, effective February 1, 2018 to February 1, 2020.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Kristi M. Reeve
Administrative Law Judge

Attachment A

HOWARD GLASSCOCK FIELD BATTERIES & LEASES - RULE 32 EXCEPTION APPLICATION

Battery/Lease	Commingling Permit #
FACILITIES FLOWING TO AGI PLANT:	
Chalk South	2757
Chalk, GO C	
Chalk, GO E	
Chalk, GO F	
Chalk, GO D	
Chalk North	6627
Chalk, GO A	
Chalk Estate	
Owen-Chalk	
Chalk, Sloan	
Hyman-Chalk	
Hyman, Sarah	
Chalk G	5387
Chalk, GO	
Chalk, GO B	
Chalk, GO G	
Mary Chalk (under Chalk G commingling permit)	
Chalk, Mary	
Douthit (under Chalk G commingling permit)	
Douthit	
Douthit - B-1	
Reed	6545
Reed, WN & L & R	
Reed-McDonald 152	
Reed-McDonald 142	
Reed B	
Reed A	
Settles West	2766
Settles, WR	
Settles, WR "A"	
Settles, C Cities	
Eason, ST	
Eason, ST "A"	
Overton B	
Overton B "A"	
Settles Central	5316
Settles, WR	
Settles North	6829
Settles, WR	
Roberts Dora	
Settles, WR A	
Kelly Roberts	7982
Kelly Roberts	
Chalk Section 95	Lease ID 30848
Chalk Section 95	
Doris Cole	Lease ID 32118
Doris Cole	
Sarah Hyman	Lease ID 22138
Sarah Hyman	
Owen Chalk	Lease ID 21650, 30837, 22542, 153661
Chalk Estate	
Owen Chalk	
Chalk Sloan	
Doris Cole Well No. 14D/Plant	API No. 227-37544
FACILITIES NOT FLOWING TO AGI PLANT:	
Gilbreath/Overton	6944
Deadwood and Jailhouse (Fusselman)	
Spraberry (Trend Area)	