

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0310755

APPLICATION OF ATLANTIC RESOURCES COMPANY, LLC (036555) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE STATE GATEWAY 37-48 LEASE, WELL NO. 3H (DRILLING PERMIT NO. 823619), FORD, WEST (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0310757

APPLICATION OF ATLANTIC RESOURCES COMPANY, LLC (036555) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE STATE BB KING 32 LEASE, WELL NO. 2H (GAS ID NO. 279613), FORD, WEST (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0310758

APPLICATION OF ATLANTIC RESOURCES COMPANY, LLC (036555) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE STATE CLARK 38-47 LEASE, WELL NO. 1H (DRILLING PERMIT NO. 820484), AND THE STATE DAGGAR 37-48 LEASE, WELL NO. 1H (DRILLING PERMIT NO. 820440), FORD, WEST (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Kristi M. Reeve - Administrative Law Judge

HEARING DATE: June 29, 2018

CONFERENCE DATE: August 21, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT:

Dale E. Miller
G. Tyson McClead

Atlantic Resources Company, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Atlantic Resources Company, LLC ("Atlantic") seeks exception to 16 TAC §3.32 to flare gas in the Ford, West (Wolfcamp) Field, Reeves County, Texas to extend the flaring authority for four (4) wells with each well associated with a different lease as referenced in the three Dockets: Oil & Gas Docket Nos: 08-0310755, 08-0310757 and 08-0310758. The current flaring authority for the four (4) subject wells and their associated flare points have exceptions to Statewide Rule 32 with the issuance of administrative permits.

All four (4) subject wells are connected to sales lines and flaring is limited to intermittent emergency conditions, such as compressor failure, pipeline capacity limitations, delivered gas quality, maintenance down-time, or disruptive events.

Atlantic is seeking to flare gas volumes from the four (4) wells ranging from a low of 840 thousand cubic feet per day ("MCF/Day") to a high of 2,760 MCF/Day. Atlantic has requested authorization to flare gas from each of the four (4) subject wells for a two-year period.

The applications are unopposed, and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend approval of the exception to Statewide Rule 32 for the four (4) subject wells and associated flare points.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas and casinghead gas produced under the jurisdiction of the Railroad Commission. Atlantic seeks relief pursuant to Statewide Rule 32(h)(4), as follows:

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.

At the time of requests for hearing, Atlantic had been granted an administrative exception to Statewide Rule as outlined below:

- OIL & GAS DOCKET NO. 08-0310755:
 - State Gateway 37-48 Lease, Well No. 3H was granted an administrative exception to Statewide Rule 32 by Permit No. 32756, for a 180-day period, from January 12, 2018 to July 12, 2018, to flare a maximum of 975 MCF/Day from the flare point associated with the well.
- OIL AND GAS DOCKET NO. 08-0310757:
 - State BB King Lease, Well No. 2H was granted an administrative exception to Statewide Rule 32 by Permit No. 33554, for an eight (8) day period expiring on April 13, 2018, to flare a maximum of 134 MCF/Day from the flare point associated with the well.
- OIL AND GAS DOCKET NO. 08-0310758:
 - State Clark 38-37 Lease, Well No. 1H was granted an administrative exception to Statewide Rule 32 by Permit No. 33553, for a 15-day period expiring on April 13, 2018, to flare a maximum of 409 MCF/Day from the flare point associated with the well.
 - State Dagger 37-48 Lease, Well No. 1H was granted an administrative exception to Statewide Rule 32 by Permit No. 33555, for 16-days period expiring on April 13, 2018, to flare a maximum of 1,127 MCF/Day from the flare point associated with the well.

To continue the flaring authority of gas after expiration of the administrative authority, Atlantic sent a letter dated April 13, 2018, requesting a hearing. The Hearings Division issued a Notice of Hearing to the Service List for each docket on May 17, 2018 and conducted a public hearing on June 29, 2018. Notice of the hearing was given to all parties entitled to notice at least ten (10) days prior to the date of the hearing. There were no protests to the applications.

The subject wells are all located in the Ford, West (Wolfcamp) Field, Reeves County, Texas. At the hearing, Atlantic requested continued flaring authority as detailed below:

- State Gateway 37-48 Lease, Well No. 3H flare point (Flaring Permit No. 32756) to flare a maximum of 1,200 MCF/Day of casinghead gas for a period of 2 years from July 13, 2018 through July 12, 2020.
- State BB King Lease, Well No. 2H flare point (Flaring Permit No. 33554) to flare a maximum of 840 MCF/Day of gas for a period of 2 years from April 14, 2018 through April 13, 2020.
- State Clark 38-37 Lease, Well No. 1H flare point (Flaring Permit No. 33553) to flare a maximum of 2,760 MCF/Day of gas for a period of 2 years from April 14, 2018 through April 13, 2020.
- State Dagger 37-48 Lease, Well No. 1H flare point (Flaring Permit No. 33555) to flare a maximum of 1,800 MCF/Day of gas for a period of 2 years from April 14, 2018 through April 13, 2020.

Testimony at the hearing indicate subsequent to filing the application, (also known as the Hearing Requests Form) for the State Gateway 37-48 Lease, Well No. 3H, a new Drilling Permit No. 283734 was issued by the Commission, therefore replacing the Drilling Permit No. 823619 for Oil and Gas Docket No. 08-0310755.

Testimony at the hearing indicate all four (4) subject wells are connected to a sales line. The wells only require flaring during periods of routine maintenance, equipment malfunction, upset events and during sales line unavailability.

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

The Examiners recommend the exceptions be granted.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten (10) days prior to the date of the hearing. There were no protests to the applications.
2. The subject dockets include a total of four (4) leases, with a single well on each lease. All the leases and subject wells are located in Ford, West (Wolfcamp) Field, Reeves County, Texas.
3. Atlantic was granted an administrative exception to Statewide Rule 32, as outlined below:

- Atlantic was granted an administrative exception to Statewide Rule 32 by Permit No. 32756 for the State Gateway 37-48 Well No. 3H flare point, for a 180-day period, from January 12, 2018 to July 12, 2018, to flare a maximum of 975 MCF/Day;
 - Atlantic was granted an administrative exception to Statewide Rule 32 by Permit No. 33554, for the State BB King Lease, Well No. 2H flare point, for a period of eight (8) days expiring on April 13, 2018, to flare a maximum of 134 MCF/Day;
 - Atlantic was granted an administrative exception to Statewide Rule 32 by Permit No. 33553, for the State Clark 38-37 Lease, Well No. 1H flare point, for 15-day period expiring on April 13, 2018, to flare a maximum of 409 MCF/Day; and
 - Atlantic was granted an administrative exception to Statewide Rule 32 by Permit No. 33555, for the State Dagger 37-48 Lease, Well No. 1H flare point, for a 16-days expiring on April 13, 2018, to flare a maximum of 1,127 MCF/Day.
4. Atlantic sent a letter dated April 13, 2018, requesting a hearing to be conducted to seek continued flaring authority for the four (4) subject wells and connected flare points.
 5. The Hearings Division issued a Notice of Hearing to the Service List for each docket on May 17, 2018 and a public hearing was held on June 29, 2018. At the hearing, Atlantic requested continued flaring authority for:
 - State Gateway 37-48 Lease, Well No. 3H flare point to flare a maximum of 1,200 MCF/Day of casinghead gas for a period of 2 years from July 13, 2018 through July 12, 2020;
 - State BB King Lease, Well No. 2H flare point to flare a maximum of 840 MCF/Day of gas for a period of 2 years from April 14, 2018 through April 13, 2020;
 - State Clark 38-37 Lease, Well No. 1H flare point to flare a maximum of 2,760 MCF/Day of gas for a period of 2 years from April 14, 2018 through April 13, 2020;
 - State Dagger 37-48 Lease, Well No. 1H flare point to flare a maximum of 1,800 MCF/Day of gas for a period of 2 years from April 14, 2018 through April 13, 2020.
 6. Testimony at the hearing indicate subsequent to filing the application, (also known as the Hearing Requests Form) for the State Gateway 37-48 Lease, Well No. 3H, a lease I.D No. was issued by the Commission, Gas I.D. No. 283734, therefore replacing the Drilling Permit No. 823619 for Oil and Gas Docket No. 08-0310755.
 7. Testimony at the hearing indicate all four (4) subject wells are connected to a sales line. The wells only require flaring during periods of routine maintenance, equipment malfunction, upset events and during sales line unavailability.
 8. Atlantic agreed, that, pursuant to these provisions of Texas Government Code §2001.144(a)(4)(A), the Final Orders in these cases shall be final and effective on the date a Master Order relating to these Final Orders is signed.

CONCLUSIONS OF LAW

1. Resolution of the subject applications 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. 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 Orders in these cases are final and effective when a Master Order relating to the Final Orders is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the exceptions to Statewide Rule 32 for the four (4) subject wells and their associated flare points.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner


Kristi M. Reeve
Administrative Law Judge