

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0311073

APPLICATION OF U.S. ENERGY DEVELOPMENT CORP. (875462) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HIDEAWAY RANCH E1 UNIT (18827), WELL NO. E 1EF, HIDEAWAY RANCH E2 UNIT (18898), WELL NO. E 2EF, AND THE HIDEAWAY RANCH E3 UNIT (18911), WELL NO. E 3EF, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0311074

APPLICATION OF U.S. ENERGY DEVELOPMENT CORP. (875462) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE IRONWOOD UNIT (18843), WELL NO. A 1EF, THE IRONWOOD A2 UNIT (18865), WELL NO. A 2EF, THE IRONWOOD A3 UNIT (18855), WELL NO. A 3EF, AND THE IRONWOOD A4 UNIT (18899), WELL NO. A 4EF, BRISCOE RANCH (EAGLEFORD) FIELD, FRIO COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0311078

APPLICATION OF U.S. ENERGY DEVELOPMENT CORP. (875462) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE IRONWOOD LEASE (18636), WELL NOS. B 1EF, B 2EF AND B 3EF, BRISCOE RANCH (EAGLEFORD) FIELD, FRIO COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0311083

APPLICATION OF U.S. ENERGY DEVELOPMENT CORP. (875462) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HIDEAWAY RANCH UNIT (18806), WELL NO. A 1EF, THE HIDEAWAY RANCH A2 UNIT (18870), WELL NO. A 2EF, AND THE HIDEAWAY RANCH A3 UNIT (18903), WELL NO. A-3EF, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0311674

APPLICATION OF U.S. ENERGY DEVELOPMENT CORP. (875462) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HIDEAWAY RANCH (18596), LEASE, WELL NOS. B 1EF, B 2EF, B 3EF, B 4EF, C 1EF, C 2EF, C 3EF, C 4EF, AND C 5EF, BRISCOE RANCH (EAGLEFORD) FIELD, FRIO COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Lynn Latombe - Administrative Law Judge

HEARING DATE: July 11, 2018

CONFERENCE DATE: August 21, 2018

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller
G. Tyson McClead

U.S. Energy Development Corp

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

U.S. Energy Development Corp ("USED") seeks an exception to 16 TAC §3.32 to flare gas from twelve (12) leases and their associated wells in the Briscoe Ranch (Eagleford) Field, Frio and Zavala Counties, Texas.

USED is requesting flaring authority for the twelve (12) leases and their associated flare points for a two-year period. All but one of the flare points located on the twelve (12) leases have previously been granted a two-year flaring authorization by the Commission through Final Orders. The one flare that has not been granted previous flaring authorization is a new flare point under the captioned docket 01-0311674, the Hideaway Ranch Lease, Unit B.

USED has demonstrated in the hearing that all casinghead gas associated with the oil wells on the subject leases have a high concentration of hydrogen sulfide (H₂S) which requires treatment or additional costs to take the gas to market. A cost-benefit analysis establishes the costs to treat and transport the gas to market is uneconomic at this time.

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 12 leases and their 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. USED 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.

USED was previously granted a two-year exception to Statewide Rule 32, for twelve (12) leases, with a single flare point for each lease. Attachment A identifies the 12 leases, their associated Final Order docket numbers, assigned flare permit numbers, the approved flare volumes, and the assigned administrative flaring authority effective dates. In the hearing, testimony indicated that the Hideaway Ranch Lease (18596), Unit B pad recently added a second flare to the Lease which is not currently authorized by an administrative permit or Final Order.

To continue the flaring authority of gas after expiration of the Final Order, USED sent a letter for each application requesting a hearing. The Hearings Division issued a Notice of Hearing

to the Service List for each captioned docket. Notice of the hearing was given to all parties entitled to notice at least ten (10) days prior to the date of the hearing.

A public hearing was held on July 11, 2018 to continue flaring authority for the 12 leases and their associated flare points for a period of two years. Attachment B identifies the 12 leases, assigned flare permit numbers, the requested flare volumes, and requested flaring authority being sought by USEDC.

Testimony at the hearing indicate all 22 wells associated with the subject leases have a high concentration of H₂S in gas which would require special treating facilities or additional costs to take the gas to market. USEDC performed a cost-benefit analysis and determined it was uneconomical to build a pipeline or transport the gas to market. The total gas revenue from all of the combined wells on all of the twelve USEDC leases in the area would result in a combined loss of \$2,294,334.

USEDC 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 captioned dockets include a total of twelve (12) leases, with various numbers of wells per lease and a total of 13 flare points. The various leases and their 22 wells are in the Briscoe Ranch (Eagleford) Field, Frio and Zavala Counties, Texas.
3. USEDC was previously granted a two-year exception to Statewide Rule 32, for twelve (12) leases and associated flare points. Attachment A identifies the most recent flaring authority for each subject lease and their associated Final Order docket number, assigned flare permit number, previously authorized flare volumes and flaring authority effective dates.
4. In the hearing, testimony indicates that the Hideaway Ranch Lease (18596), Unit B pad added a second flare to the Lease which establishes 13 flare points seeking flaring authorization from the captioned dockets.
5. The Hearings Division issued a Notice of Hearing to the Service List for each captioned docket. Notice of the hearing was given to all parties entitled to notice at least ten (10) days prior to the date of the hearing.
6. A public hearing was held on July 11, 2018 to continue flaring authority for the 12 leases and their associated flare points for a period of two years. Attachment B identifies the 12 leases, assigned flare permit numbers, the requested flare volumes, and requested flaring authority being sought by USEDC.
7. None of the subject leases are connected to a gas gathering and transmission system.

8. Testimony at the hearing indicate all 22 wells associated with the subject leases have a high concentration of H₂S in gas which would require special treating facilities or additional costs to take the gas to market. USEDC performed a cost-benefit analysis and determined it was uneconomical to treat and transport the gas to market. The total gas revenue from all of the combined wells on all of the twelve USEDC leases in the area would result in a combined loss of \$2,294,334.
9. USEDC 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 facts and conclusions of law, the Examiners recommend the Commission enter an order granting all five of the captioned individual hearing applications submitted by U.S. Energy Development Corp. for exceptions to Statewide Rule 32 for all the subject leases, wells and associated flare points in the Briscoe Ranch (Eagleford) Field in Frio and Zavala Counties, Texas.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Lynn Latombe
Administrative Law Judge

Attachment A – Previous Authorized Administrative Flaring Authority

Facility Name	Previous Final Order Docket No.	Flare Permit No.	Maximum Daily Flaring Volume (MCF/Day)	Flaring Authority Effective Dates	
Hideaway Ranch E1 Unit, Lease No. 18827	01-0302634	27354 1 flare	300	12/15/2016	12/14/2018
Hideaway Ranch E2 Unit, Lease No. 18898	01-0302634	27354 1 flare	300	12/15/2016	12/14/2018
Hideaway Ranch E3 Unit, Lease No. 18911	01-0302634	27354 1 flare	300	12/15/2016	12/14/2018
Hideaway Ranch, Ironwood A Unit, Lease No. 18843	01-0302635	27353 1 flare	225	11/19/2016	11/18/2018
Hideaway Ranch, Ironwood A2 Unit, Lease No. 18865	01-0302635	27353 1 flare	225	11/19/2016	11/18/2018
Hideaway Ranch, Ironwood A3 Unit, Lease No. 18855	01-0302635	27353 1 flare	225	11/19/2016	11/18/2018
Hideaway Ranch, Ironwood A4 Unit, Lease No. 18899	01-0302635	27353 1 flare	225	11/19/2016	11/18/2018
Hideaway Ranch, Ironwood Unit Lease, No. 18636	01-0299749	24329 1 flare	140	03/09/2016	03/08/2018
Hideaway Ranch, A Unit, Lease No. 18806	01-0300424	25484 1 flare	250	05/14/2016	05/13/2018
Hideaway Ranch, A2 Unit, Lease No. 18870	01-0300424	25484 1 flare	250	05/14/2016	05/13/2018
Hideaway Ranch, A3 Unit, Lease No. 18903	01-0300424	25484 1 flare	250	05/14/2016	05/13/2018
Hideaway Ranch, B Unit, Lease No. 18596	NA	Pending 1 flare	NA	NA	NA
Hideaway Ranch, C Unit, Lease No. 18596	01-0299966	24590 1 flare	220	4/13/2018	05/31/2018

**Note: NA = Not Applicable, no previous flare authority.
MCF/Day = Thousand Cubic Feet Per Day**

ATTACHMENT B - FLARE AUTHORITY

Facility Name	Well No.	Flare Permit No.	Maximum Daily Flaring Volume (MCF/Day)	Dates of Requested Flaring Authority 2 Year Period	
OIL AND GAS DOCKET NO. 01-0311073					
Hideaway Ranch E1 Unit, Lease No.18827	E 1EF	27354	300	12/15/2018	12/14/2020
Hideaway Ranch E2 Unit, Lease No. 18898	E 2EF	27354	300	12/15/2018	12/14/2020
Hideaway Ranch E3 Unit, Lease No. 18911	E 3EF	27354	300	12/15/2018	12/14/2020
OIL AND GAS DOCKET NO. 01-0311074					
Hideaway Ranch, Ironwood A Unit, Lease No. 18843	A 1EF	27353	225	11/19/2018	11/18/2020
Hideaway Ranch, Ironwood A2 Unit, Lease No. 18865	A 2EF	27353	225	11/19/2018	11/18/2020
Hideaway Ranch, Ironwood A3 Unit, Lease No. 18855	A 3EF	27353	225	11/19/2018	11/18/2020
Hideaway Ranch, Ironwood A4 Unit, Lease No. 18899	A 4EF	27353	225	11/19/2018	11/18/2020
OIL AND GAS DOCKET NO. 01-0311078					
Hideaway Ranch, Ironwood Unit Lease, No. 18636	B 1EF B 2EF B 3EF	24329	140	03/09/18	03/08/2020
OIL AND GAS DOCKET NO. 01-0311083					
Hideaway Ranch, A Unit, Lease No. 18806	A 1EF	25484	250	05/14/2018	05/13/2020
Hideaway Ranch, A2 Unit, Lease No. 18870	A 2EF	25484	250	05/14/2018	05/13/2020
Hideaway Ranch, A3 Unit, Lease No. 18903	A-3EF	25484	250	05/14/2018	05/13/2020
OIL AND GAS DOCKET NO. 01-0311674					
Hideaway Ranch, B Unit, Lease No. 18596	B 1EF B 2EF B 3EF B 4EF	Pending	220	04/13/2018	04/12/2020
Hideaway Ranch, C Unit, Lease No. 18596	C 1EF C 2EF C 3EF C 4EF C 5EF	24590	220	04/13/2018	04/12/2020