

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0309795

APPLICATION OF PDC PERMIAN, INC. (646832) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE H.M. PHILLIPS STATE 27-3 LEASE, WELL NO. 1H, FORD, WEST (WOLFCAMP) FIELD, CULBERSON COUNTY, TEXAS

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

HEARING DATE: May 21, 2018

CONFERENCE DATE: August 21, 2018

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
Collin Placke
Sydney Smith

PCD Permian, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

PDC Permian, Inc. (646832) ("PDC") seeks an exception to flare natural gas associated with Statewide Rule 32 for the H.M. Phillips State 27-3 1H Well in the Ford, West (Wolfcamp) Field, Culberson County, Texas. At the hearing, PDC requested authority to flare a maximum of 2,500 thousand cubic feet per month ("MCF/Month") of natural gas for a period of 2 years from April 2, 2018 to April 2, 2020.

The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend approval of the exception to Statewide Rule 32 for the H.M. Phillips State 27-3 Lease, Well No. 1H Flare Point.

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. PDC 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.

PDC was granted an administrative exception (Permit No. 31234) to Statewide Rule 32, for the H.M Phillips State 27-3 1H Lease Flare Point for a 90-day period, from September 1, 2017 to November 30, 2017 with the maximum flaring authority of 300 thousand cubic feet per day ("MCFPD"). PDC continued the administrative exception to Statewide Rule 32 through Permit No. 31234, for an additional 90-day period, from September 1, 2018 to April 1, 2018, with a maximum flaring authority of 114 MCFPD.

To continue the flaring authority of natural gas after the expiration of the administrative exception, PDC sent a letter dated March 6, 2018, requesting a hearing to be conducted for the H.M. Phillips State 27-3 Lease, Well No. 1H (API 42-109-33028) Flare Point. The Hearings Division issued a Notice of Hearing to the Service List on April 6, 2018. A public hearing was held on May 21, 2018 to continue flaring authority. At the hearing, PDC requested authority to flare a maximum of 2,500 thousand cubic feet per month ("MCF/Month") of natural gas for a period of 2 years from April 2, 2018 to April 2, 2020.

Testimony at the hearing indicate the H.M. Phillips State 27-3 Lease, Well No. 1H (API 42-109-33028) is connected to a sales line. The well only requires flaring during periods of routine maintenance, equipment malfunction, upset events and during sales line unavailability. Since this well is at the end of the pipeline network, it is the first to be shut-in and last to be brought back on-line. Historical production records indicate about seven (7) percent of the natural gas volume is flared per month which is about 2,500 MCF/Month.

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

The Examiners recommend the exceptions be granted.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. PDC was granted an administrative exception (Permit No. 31234) to Statewide Rule 32, for the H.M Phillips State 27-3 1H Lease Flare Point for a 90-day period, from September 1, 2017 to November 30, 2017 with the maximum flaring authority of 300 MCFPD.

3. PDC continued the administrative exception to Statewide Rule 32 through Permit No. 31234, for an additional 90-day period, from September 1, 2018 to April 1, 2018, with a maximum flaring authority of 114 MCFPD.
4. On March 6, 2018, the Commission received a request to conduct a hearing for a Statewide Rule 32 exception extension for the H.M. Phillips State 27-3 Lease, Well No. 1H (API 42-109-33028) Flare Point.
5. The Hearings Division issued a Notice of Hearing to the Service List on April 6, 2018.
6. A public hearing was held on May 21, 2018 to continue flaring authority.
7. PDC is seeking authority to flare a maximum of 2,500 MCF/Month of natural gas for a period of 2 years from April 2, 2018 to April 2, 2020.
8. Testimony at the hearing indicate the H.M. Phillips State 27-3 Lease, Well No. 1H (API 42-109-33028, is connected to a sales line. The well requires flaring during periods of routine maintenance, equipment malfunction, upset events and during sales line unavailability.
9. PDC agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order in this case shall be final and effective on the date a Master Order relating to this Final 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. The requested authority to flare natural 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 in this case is final and effective when a Master Order relating to the Final Order is signed.

EXAMINERS' RECOMMENDATION

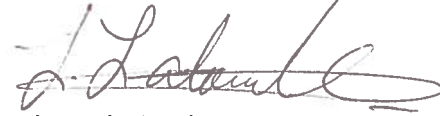
Based on the above findings of fact and conclusions of law, the Examiners recommend approval of the exception to Statewide Rule 32 for the H.M. Phillips State 27-3 Lease, Well No.

1H Flare Point. PDC is seeking authority to flare a maximum of 2,500 MCF/Month of natural gas for a period of 2 years from April 2, 2018 to April 2, 2020.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Lynn Latombe
Administrative Law Judge