



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 8A-0311475

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THE APPLICATION OF VERDUGO-PABLO ENERGY, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 TO FLARE CASINGHEAD GAS FROM THE VITO (70674) LEASE, SABLE, (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS.

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**HEARD BY:** Richard Eyster, P. G. – Technical Examiner  
Kristi M. Reeve – Administrative Law Judge

**HEARING DATE:** July 26, 2018

**APPEARANCES:**

James M. Clark, P.E.

Verdugo-Pablo Energy, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Verdugo-Pablo Energy, LLC (Verdugo) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from the Vito (70674) Lease, Sable ( San Andres), Field, Yoakum County, Texas. Verdugo seeks two-year authority to flare up to 250 MCF/D of casinghead gas from May 31, 2018 to May 30, 2020. The application is not protested and the Technical Examiner and the Administrative Law Judge (collectively the Examiners) recommend the exception be granted.

**DISCUSSION OF THE EVIDENCE**

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. The Vito Lease commenced production with the completion of the Vito No. 1H Well in November 2017. The lease has produced 50 mcf/d since February 20, 2018, and currently produces 30 Mcf/d. The Vito No. 2H Well is planned for late 2018 and with the 2H well coming online gas production is expected to exceed 50 Mcf/d. Verdugo received a 180 day administrative permit (Permit No. 32848) authorizing the flaring of 100 Mcf/D. On May 9, 2018 Verdugo applied for a hearing to extend the flaring exception due to the lack of a pipeline in the area. Verdugo introduced evidence into the record showing that the nearest pipeline connection is over three miles from the only well on the lease.

A Stakeholder gas gathering system and gas plant are expected to be operation by the 4<sup>th</sup> quarter of 2018. Verdugo is actively developing the area around the Vito Lease and stated that they will seek a connection with Stakeholder if enough gas is produced to justify the capital costs associated with connecting to a pipeline.

Verdugo is now requesting a Commission final order granting two-year authority to flare up to 250 MCF/D from the Vito Lease flare point from May 31, 2018 to May 30, 2020. Verdugo stated that without additional flaring authority they will have to shut the wells in causing waste and perhaps harm to the reservoir.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. Verdugo applied for a hearing to extend the flaring authority more than 21 days before the administrative permits expired.
3. Verdugo is requesting to flare 250 mcf/d of casinghead gas for two years from May 31, 2018 to May 30, 2020.
4. Verdugo calculates marketing the gas is uneconomic at this time
5. Without a Final order authorizing the flaring, Verdugo will have to shut the wells in causing waste and possible harm to the reservoir.

#### **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 §§ 1.43 and 1.45.
3. Verdugo-Pablo Energy, LLC has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding the requested authority to flare gas produced from the wells connected to the subject flare point.

#### **EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order approving the application as requested by Verdugo-Pablo Energy, LLC.

Respectfully submitted,



Richard Eyster, P. G.  
Technical Examiner



Kristi M. Reeve  
Administrative Law Judge