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INTERIM DIRECTOR

# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0310088

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**APPLICATION OF OXY USA INC. (630591) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SOUTH CURTIS RANCH (40691) LEASE, WELL NOS. 421, 1513, 2221, 2352, 2353, 2818, 2841, 2842, 2844, AND 2851, SPRABERRY (TREND AREA) FIELD, MIDLAND AND MARTIN COUNTIES, TEXAS**

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**HEARD BY:** Peggy A. Laird, P.G. – Technical Examiner  
Lynn Latombe – Administrative Law Judge

**HEARING DATE:** June 6, 2018

**CONFERENCE DATE:** September 18, 2018

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:**

John Hicks  
Nathan Byrd  
William D. (Jack) Calhoun

OXY USA Inc.

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

OXY USA Inc. ("OXY") seeks an exception to Statewide Rule 32 to flare casinghead gas from the South Curtis Ranch (40691) Lease, Well Nos. 421, 1513, 2221, 2352, 2353, 2818, 2841, 2842, 2844, and 2851, Spraberry (Trend Area) Field, Midland and Martin Counties, Texas. Of the ten flare points, three exceed the 180 days authorized by administrative permits. Flare points for Well Nos. 2352, 2353, and 2851 are the focus of the captioned docket. OXY indicated the flare points for Well Nos. 421, 1513, 2221, 2818, 2841, 2842, and 2844 were no longer flaring, and flaring authorization was no longer needed because they had not exceeded the 180 days authorized by administrative permits.

Notice was provided to offset operators in the fields surrounding the flare points and no protests were received. The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend granting an exception to Statewide 32 to flare casinghead gas for 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. OXY seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(C) and (D), as follows:

*The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)... if the operator of a well or production facility presents information to show the necessity for the release...*

Statewide Rule 32(h)(4) states:

*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.*

Because OXY requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address OXY's request for an exception is through a hearing resulting in a final order signed by the Commission. On March 14, 2018, OXY requested a hearing to obtain continued authority to flare gas.

OXY was not able to connect to a pipeline because of the CO<sub>2</sub> and H<sub>2</sub>S concentrations in the casinghead gas. The gas is now being treated and OXY is redirecting and processing the gas from the seven wells (Nos. 421,1513, 2221, 2818, 2841, 2842, and 2844) to their own facility. Two of the remaining three wells (Nos. 2352 and 2353) have also been connected after flaring for fifteen days past their 180-day authorization. Well No. 2851 will be connected to the same processing facility within six months and will then no longer need to flare. Therefore, OXY is requesting the following authorization:

- South Curtis Ranch Unit 2352 (Permit No. 31717) up to 290 MCF of casinghead gas per day from March 22, 2018 through April 4, 2018.
- South Curtis Ranch Unit 2353 (Permit No. 32640) up to 270 MCF of casinghead gas per day from March 18, 2018 through April 4, 2018.
- South Curtis Ranch Unit 2851 (Permit No. 33124) up to 285 MCF of casinghead gas per day from June 9, 2018 through December 9, 2018.

### FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing. There were no protests to the applications.
2. By administrative permits, OXY was previously granted authority by the Railroad Commission to flare casinghead gas.
3. On March 14, 2018, OXY requested a hearing to obtain continued authority to flare gas.

4. OXY is seeking the following authority:
  - South Curtis Ranch Unit 2352 (Permit No. 31717) up to 290 MCF of casinghead gas per day from March 22, 2018 through April 4, 2018.
  - South Curtis Ranch Unit 2353 (Permit No. 32640) up to 270 MCF of casinghead gas per day from March 18, 2018 through April 4, 2018.
  - South Curtis Ranch Unit 2851 (Permit No. 33124) up to 285 MCF of casinghead gas per day from June 9, 2018 through December 9, 2018.
5. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

#### CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. 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 Order is effective when a Master Order relating to the Final Order is signed on September 18, 2018.

#### EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the exception to Statewide Rule 32 as requested by OXY USA Inc.

Respectfully submitted,



Peggy A. Laird, P.G.  
Technical Examiner



Lynn Latombe  
Administrative Law Judge