



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0313415**

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**APPLICATION OF PRIMEXX OPERATING CORPORATION (677852) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE FRIO STATE UNIT 221-222W LEASE, WELL NO. 1H, WOLFBONE (TREND AREA) FIELD), REEVES COUNTY, TEXAS**

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**HEARD BY:** Robert Musick, P.G. – Technical Examiner  
Jennifer Cook – Administrative Law Judge

**HEARING DATE:** September 4, 2018

**CONFERENCE DATE:** October 16, 2018

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Olga Kobzar - Attorney  
Travis Johnson - Engineer

Primexx Operating Corporation

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Primexx Operating Corporation ("Primexx") seeks an exception to 16 TAC § 3.32 ("Statewide Rule 32") to flare casinghead gas in the Wolfbone (Trend Area) Field, Reeves County, Texas. Primexx is requesting to extend flaring authorization approved by Permit No. 33095, expiring July 31, 2018. Primexx requested the authorization to continue to flare casinghead gas from the Frio State Unit 221-222W (08-49468) Lease, Well No. 1H flare point from August 1, 2018 to July 31, 2020, for a period of 2 years.

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 Frio State Unit 221-222W 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. Primexx 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.*

Primexx was granted an administrative exception to Statewide Rule 32 by Permit No. 33095, for the Frio State Unit 221-222W Lease, Well No. 1H. The exception authorized Primexx to flare a maximum of 500 thousand cubic feet per day ("MCF/Day") from February 1, 2018 through July 31, 2018.

In a letter dated July 17, 2018, Primexx requested a hearing to be conducted for the Frio State Unit 221-222W Lease, Well No. 1H flare point to continue the flaring authority of casinghead gas. The Hearings Division issued a Notice of Hearing to the Service List on August 10, 2018. At the public hearing held on September 4, 2018, Primexx requested authority to flare a maximum of 600 MCF/Day of casinghead gas from August 1, 2018 to July 31, 2020, for a period of 2 years.

Testimony at the hearing indicate the Frio State Unit 221-222W Lease, Well No. 1H has elevated hydrogen sulfide (H<sub>2</sub>S) and is not connected to a sales line. A cost-benefit analysis determined the costs associated with the treatment of the sour gas and connecting the well to a sales pipeline will exceed the value of the casinghead gas as a product on the market by about \$60,000, resulting in a net loss. Therefore, selling the sour gas to a vender is uneconomic at this time.

Primexx 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 operators at least ten days prior to the date of the hearing. There were no protests to the application.
2. Primexx (677852) was granted an administrative exception to Statewide Rule 32, for a 128-day period, from February 1, 2018 through July 31, 2018, for the Frio State Unit 221-222W (08-49468) Lease, Well No. 1H flare point, to flare a maximum of 500 MCF/Day by Permit No. 33095.
3. On July 17, 2018, the Commission received a request for hearing to be conducted for a Statewide Rule 32 exception for the Frio State Unit 221-222W Lease, Well No. 1H, Reeves County, Texas.
4. The Hearings Division issued a Notice of Hearing to the Service List on August 10, 2018.
5. A public hearing was held on September 4, 2018, to continue flaring authority for the Frio State Unit 221-222W Lease, Well No. 1H flare point, requesting authority to flare a maximum of 600 MCF/Day of casinghead gas from August 1, 2018 to July 31, 2020, for a period of 2 years.
6. Testimony at the hearing indicate the Frio State Unit 221-222W Lease, Well No. 1H has elevated hydrogen sulfide (H<sub>2</sub>S) and is not connected to a sales line. A cost-benefit analysis

determined the costs associated with the treatment of the sour gas, conveyance piping and sales pipeline connection costs will exceed the value of the casinghead gas value on the market by about \$60,000, resulting in a loss.

7. Testimony at the hearing indicate the Frio State Unit 221-222W Lease, Well No. 1H is not connected to a sales pipeline. A cost-benefit analysis determined the costs associated with the treatment of the sour gas and connecting the well to a sales pipeline will exceed the value of the casinghead gas as a product on the market by about \$60,000, resulting in a net loss. Therefore, selling the sour gas to a vender is uneconomic at this time.
8. Primexx 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 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 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 that the Commission grant the exception to Statewide Rule 32 for the Frio State Unit 221-222W Lease, Well No. 1H flare point, as requested by Primexx Operating Corporation

Respectfully submitted,



Robert Musick, P.G.  
Technical Examiner



Jennifer Cook  
Administrative Law Judge