



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0314123

THE APPLICATION OF CAPITAN ENERGY, INCORPORATED FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, FORD, WEST (WOLFCAMP) FIELD, CULBERSON AND REEVES COUNTIES, TEXAS

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

PREPARED BY: Richard Eyster, P. G. – Technical Examiner

HEARING DATE: November 1, 2018

APPEARANCES:

George Neale
Donna Chandler
Dan Huber

Capitan Energy, Incorporated

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Capitan Energy, Incorporated ("Capitan") seeks exception renewals to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas produced from the ten wells Capitan operates in the Ford, West (Wolfcamp) Field in Culberson and Reeves Counties, Texas. Capitan seeks authority to flare gas from the wells for a period of two years.

Notice was provided to all operators in the Ford, West (Wolfcamp) Field and no protests were received. The application was unprotested and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(j) *Opportunity for hearing* states that an operator may request a hearing on any application for an exception, or exception renewal required by this section. On August 6, 2018, the Commission received a hearing request from Capitan to extend its current Statewide Rule 32 exceptions for eight wells which have previously received administrative flaring authority. On September 14, 2018, the Commission received a request from Capitan to extend its current Statewide Rule 32 exceptions for two additional wells which had previously received administrative flaring authority.

A summary of the volumes and start/end date for the 10 wells which are the subject of this hearing is attached as Appendix A.

The wells are connected to a gas gathering, sales and transmission system. However, there have been numerous pipeline capacity constraints which have been very unpredictable, requiring Capitan to flare gas from the wells on an intermittent basis. The production histories of the wells demonstrate that average flaring can range from less than 10 MCFD to almost 1,000 MCFD.

The development of the Wolfcamp in the immediate area has resulted in an increase in infrastructure including lines, compressors and cryogenic plants. When any of these components go down, production into the sales lines must be limited. Two new processing plants will be in place in the next few months which will be capable of processing over 300 MMCFD from area wells. Although these plant installations are expected to alleviate the need to flare from these wells in the future, Capitan is requesting flaring authority for the full two years to allow flaring in the event of potential future system upsets. Capitan stated that without additional flaring authority they will have to shut the wells in causing waste and perhaps harm to the reservoir.

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

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the Ford, West (Wolfcamp) Field at least ten days prior to the date of the hearing. There were no protests to the application.
2. On August 6, 2018, the Commission received a hearing request from Capitan to extend its current Statewide Rule 32 exceptions for eight wells which have previously received flaring authority. On September 14, 2018, the Commission received a request from Capitan to extend its current Statewide Rule 32 exceptions for two additional wells which had previously received flaring authority.
3. The ten wells subject to this docket produce from the Ford, West (Wolfcamp) Field in Culberson and Reeves Counties, Texas.

4. Capitan requests an exception to Statewide Rule 32 for a period of two years for each of the flare points.
5. The ten subject wells are connected to a gas gathering, sales and transmission system. However, there have been numerous pipeline capacity constraints which have been very unpredictable, requiring Capitan to flare gas from the wells on an intermittent basis.
6. The development of the Wolfcamp in the immediate area has resulted in an increase in infrastructure including lines, compressors and cryogenic plants. When any of these components go down, production into the sales lines must be limited.
7. Two new processing plants will soon be operational which will be capable of processing over 300 MMCFD. These plant installations are expected to alleviate the need to flare from these wells in the future.
8. Capitan seeks authority to flare gas in the volumes listed in Appendix A.
9. The requested flaring authority will allow Capitan to continue to produce the wells during times of pipeline capacity constraints.
10. Capitan agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Title 16, Texas Administrative Code §3.32 (h)(4) provides for an exception for more than 180 days and for volume greater than 50 MCFD.
4. Pursuant to Texas Government Code §2001.144(a)(4)(A), this Final Order is effective on the date a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order approving the application of Capitan Energy, Incorporated for authority to flare gas from the subject ten wells in the Ford, West (Wolfcamp) Field, Culberson and Reeves Counties, Texas, for a period of two years, at the volumes and dates listed in Appendix A.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Lynn Latombe
Administrative Law Judge

APPENDIX A

<u>Location</u>	<u>Well No.</u>	<u>Requested Rate</u>	<u>Approved Renewal Expiration Date</u>	<u>RRC Permit Number</u>	<u>All Lease Numbers Associated with Facility/Permit</u>	<u>Request from Date</u>	<u>Request to Date</u>
Alice Fee 34	2H	200 MCFD	9/2/2018	34145	830298 (DP)	8/20/2018	8/20/2020
J. S. Blair Fee 2	4H	150 MCFD	9/15/2018	34146	836512 (DP)	8/21/2018	8/21/2020
Lauren State 30	2H	950 MCFD	10/13/2018	34147	284921	8/22/2018	8/22/2020
Mother Fee 28	2H	600 MCFD	10/6/2018	33730	284899	8/23/2018	8/23/2020
Shelly Fee 40	2H	150 MCFD	9/5/2018	35034	839890 (DP)	8/24/2018	8/24/2020
State Mike 3	2H	50 MCFD	9/18/2018	33733	284900	8/25/2018	8/25/2020
Tyson Fee 44	2H	100 MCFD	8/20/2018	33732	284974	8/26/2018	8/26/2020
William Fee 32	2H	750 MCFD	10/6/2018	33731	284898	8/27/2018	8/27/2020
Lauren State 30	3H	1050 MCFD	11/4/2018	35488	840153 (DP)	8/28/2018	8/28/2020
Lauren State 30	4H	750 MCFD	11/4/2018	35489	840220 (DP)	8/29/2018	8/29/2020