



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0316797

APPLICATION OF WPX ENERGY PERMIAN, LLC (942623) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES AND WELLS, IN THE PHANTOM (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: February 12, 2019
CONFERENCE DATE: March 26, 2019

APPEARANCES: Bill G. Spencer, Consultant
James M. Clark, P.E.

REPRESENTING: WPX Energy Permian, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

WPX Energy Permian, LLC (942623) ("WPX") seeks two Statewide Rule 32 Exceptions to flare gas well gas:

(1) a two-year Statewide Rule 32 Exception to flare a maximum of 150 thousand cubic feet per day ("MCFD") of gas well gas from the Lindsay 10-15H-21H ("Lindsay Lease"), Phantom (Wolfcamp) Field ("Field"), Reeves County, Texas, effective January 4, 2019 through January 3, 2021. WPX has previously received two consecutive 90-day administrative Rule 32 Exceptions (Permit No. 35326) to flare a maximum of 500 MCFD decreasing to a maximum of 100 MCFD of gas well gas from the Lindsay Lease effective July 2, 2018 through January 3, 2019. The flare stack supports a single well, the No. 21H gas well producing from the Field.

(2) a two-year Statewide Rule 32 Exception to flare a maximum of 2,750 MCFD of gas well gas from the Lindsay 10 CTB ("Lindsay 10 Lease"), Phantom (Wolfcamp) Field, Loving County, Texas, effective January 4, 2019 through January 3, 2021. WPX has previously received a 90-day administrative Rule 32 Exceptions (Permit No. 36992) to flare a maximum of 41,600 MCFD of gas well gas from the Lindsay 10 Lease effective October 5, 2018, through January 3, 2019. The central flare stack supports eight (8) gas wells producing from the Field with surface commingling authorized by Commingling Permit No. 08-8317.

WPX's evidence supports that the gas from the two leases is normally sold into its primary market or to third-party purchasers. New completions have caused high pressure in the gas gathering facilities thereby necessitating WPX to flare the excess gas in order to fully and efficiently extract the liquid hydrocarbons from the Field underlying the two leases and prevent waste.

WPX submitted its Rule 32 Exceptions request within 21 days of the respective administrative permits' expiration. Notice of the present docket hearing was sent to the offset operators. Following due process, the application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of 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. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCFD may be granted administratively for a period up to 180 days. 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. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

WPX's Lindsey Lease is currently developed with one producing gas well, the No. 21H well, which commenced production from the Field in June of 2018. Through January 2019 the well has flared 21,671 MCF or 4% of total gas production via a flare stack.

WPX's Lindsay 10 Lease is currently developed with eight gas wells with surface commingling of production authorized under Commingling Permit No. 08-8317. All Lindsay 10 wells are producing from the Field, with one well completed in November 2017 and the remaining seven wells completed in June and July 2018. The Lindsay 10 Lease has flared 438,815 MCF through January 2019 or 8% of total gas production via a central flare stack.

Permit No.	Lease/ Drilling Permit/ Commingling Permit/ Plant No./RRC ID	Lease Name or Facility/Flare Point Name	Permit Start Date	Permit End Date	Maximum Flare Volume (MCF/Day)	Additional Information/Notes (i.e. Well No., Lat. Long., etc.)
35326	08-383842	Lindsay 10-15	1/4/2019	1/3/2021	150	-one well No. 21H
36992	08-8317	Lindsay 10 CTB	1/4/2019	1/3/2021	2,750	-8 wells, commingling permit

WPX's testimony and evidence supports that the gas from the two leases is normally sold into its primary market or to third-party purchasers. New completions have caused high pressure in the gas gathering facilities thereby necessitating WPX to flare the excess gas in order to fully and efficiently extract the liquid hydrocarbons from the Field underlying the two leases and prevent waste. WPX recognizes the value of the gas, however WPX's primary value from the production of these wells is in the hydrocarbon liquids which in January 2019 averaged 3,329 barrels of oil per day (bbl/d) from the Lindsay 10 Lease and 291 bbl/d from the Lindsay Lease. WPX stated that if the applications for the Rule 32 Exceptions were not granted, production from the two leases will be curtailed and they would not achieve the ultimate recovery of hydrocarbons it would otherwise produce.

WPX 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.

FINDINGS OF FACT

1. Proper notice of this hearing was provided and no protests were received.
2. WPX seeks two separate Statewide Rule 32 exceptions to flare gas produced from the Phantom (Wolfcamp) Field from gas wells on two separate leases:
 - a. a two-year Statewide Rule 32 Exception to flare a maximum of 150 thousand cubic feet per day ("MCFD") of gas from the Lindsay 10-15H-21H ("Lindsay Lease"), Phantom (Wolfcamp) Field ("Field"), Reeves County, Texas, effective January 4, 2019 through January 3, 2021. WPX has previously received two consecutive 90-day administrative Rule 32 Exceptions (Permit No. 35326) to flare a maximum of 500 MCFD decreasing to a maximum of 100 MCFD of gas from the Lindsay Lease effective July 2, 2018 through January 3, 2019. The flare stack supports a single well, the No. 21H gas well producing from the Field.
 - b. a two-year Statewide Rule 32 Exception to flare a maximum of 2,750 MCFD of gas well gas from the Lindsay 10 CTB ("Lindsay 10 Lease"), Phantom (Wolfcamp) Field, Loving County, Texas, effective January 4, 2019 through January 3, 2021. WPX has previously received a 90-day administrative Rule 32 Exceptions (Permit No. 36992) to flare a maximum of 41,600 MCFD of gas from the Lindsay 10 Lease effective October 5, 2018, through January 3, 2019. The central flare stack supports eight (8) gas wells producing from the Field with surface commingling authorized by Commingling Permit No. 08-8317.
3. The gas from WPX's two leases is normally sold into it's primary market or to third-party purchasers:
 - a. The Lindsay Lease - through January 2019 the well has flared 21,671 MCF or 4% of total gas production via it's flare stack

- b. The Lindsay 10 Lease – through January 2019 the lease has flared 438,815 MCF through January 2019 or 8% of total gas production via a central flare stack.
4. New completions have caused high pressure in the gas gathering facilities thereby necessitating WPX to flare the excess gas in order to fully and efficiently extract the liquid hydrocarbons from the Field underlying the two leases and prevent waste.
5. WPX submitted its Rule 32 Exceptions request within 21 days of the respective administrative permits' expiration.
6. WPX 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. Proper 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) provides for an exception to Statewide Rule 32.
4. WPX on the record agree that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and 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 that the Commission grant WPX's request for two exceptions to Statewide Rule 32: (1) the flare stack servicing the Linsey Lease limited to flare a maximum of 150 MCFD effective on January 4, 2019 through January 3, 2021, and (2) the central flare stack servicing the Linsey 10 Lease limited to flare a maximum of 2,750 MCFD effective January 4, 2019 through January 3, 20121 as requested by WPX Energy Permian, LLC.

Respectfully submitted,

Petar Buva
Technical Examiner

Lynn Latombe
Administrative Law Judge