



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0315921

APPLICATION OF OASIS PETROLEUM PERMIAN, LLC (617484) FOR AN EXCEPTION TO STATEWIDE RULE 32 GAS FLARING FOR UL 21 PAHASKA LEASE (08-48511), WELL NO. 1H, PHANTOM (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: January 14, 2019

CONFERENCE DATE: March 26, 2019

APPEARANCES:

Doug Dashiell, Attorney
Michael Brown, Sr. Engineer

REPRESENTING:

Oasis Petroleum Energy Permian, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Oasis Petroleum Energy Permian, LLC (617484) ("Oasis") seeks a two-year Statewide Rule ("SWR") 32 exception to flare 400 thousand cubic feet per day ("MCFD") of casinghead gas from the UL 21 Pahaska Lease (08-48511) ("Lease"), Well No. 1H, Phantom (Wolfcamp) Field ("Field"), Reeves County, Texas.

Oasis purchased the Lease from Forge Energy, LLC (276868) ("Forge") in the first quarter of 2018. Forge was granted a two-year SWR Rule 32 exception (Permit No. 30547), to flare a maximum of 500 MCFD from December 8, 2017 to December 7, 2019, pursuant to the Commission's Final Order 08-0307476, dated March 20, 2018. In accordance with SWR 32(h)(7), a SWR 32 exception is not transferrable between separate operators, therefore following the purchase of the Lease, Oasis applied for and received administrative flare exceptions effective April 1, 2018 to September 30, 2018. Having exhausted the administrative exception, Oasis is requesting consideration of a two-year SWR Rule 32 exception to flare 400 MCFD of casinghead gas from the Lease.

Oasis is currently selling produced casinghead gas through a natural gas pipeline connection but is seeking flaring authorization to address non-routine operational upsets and sale pipeline capacity limitations. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Lease.

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.

Oasis Petroleum Energy Permian, LLC (617484) ("Oasis") seeks a two-year Statewide Rule ("SWR") 32 exception to flare 400 thousand cubic feet per day ("MCFD") of casinghead gas from the UL 21 Pahaska Lease (08-48511) ("Lease"), Well No. 1H, Phantom (Wolfcamp) Field ("Field"), Reeves County, Texas.

Oasis purchased this Lease from Forge Energy, LLC (276868) ("Forge") in the first quarter of 2018. Forge was granted a two-year SWR Rule 32 exception (Permit No. Permit No. 30547), effective December 8, 2017 to December 7, 2019, to flare a maximum of 500 MCFD from the Lease, pursuant to the Commission's Final Order 08-0307476, dated March 20, 2018. In accordance with SWR 32(h)(7), a SWR 32 exception is not transferrable between separate operators, therefore following the purchase of the Lease, Oasis applied for and received an administrative flare exception effective April 1, 2018 to September 30, 2018. Having exhausted the 180-day administrative period, Oasis requested a hearing to consider the SWR Rule 32 exception to flare a maximum of 400 MCFD of casinghead gas from the Lease.

The Lease is currently developed with one producing gas well, the No. 1H well ("Well"), which commenced production from the Field in December of 2016. The Examiner's Report Recommendation ("ERR") relating to Docket 08-0308056 and Forge's SWR 32 exception was admitted into the record. The ERR referenced that Lease production records indicate that 44% of the Lease's casinghead gas production was flared during the period November 2016 through November 2017, due to interruptions in sales pipeline capacity. During the period from July 2018 to January 2019, the Well averaged approximately 300 MCFD with approximately 5.5% of the casinghead gas production being flared due to periodic interruptions in sales pipeline capacity. Any future flaring would similarly be a result of interruptions due to insufficient sales pipeline capacity.

Oasis 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. The Oasis Lease is currently developed with one producing gas well, the No. 1H well, which commenced production from the Field in December of 2016.

3. Oasis purchased the Lease from Forge Energy, LLC (276868) ("Forge") in the first quarter of 2018. Forge was granted a two-year SWR Rule 32 exception (Permit No.30547), to flare a maximum of 500 MCFD effective December 8, 2017 to December 7, 2019, pursuant to the Commission's Final Order 08-0307476, dated March 20, 2018.
4. SWR 32(h)(7) prohibits the administrative transfer of a SWR 32 exception between operators, therefore following the purchase of the Lease, Oasis applied for and received an administrative flare exceptions effective April 1, 2018 to September 30, 2018. Having exhausted the 180-day administrative period, Oasis requested a hearing to consider a two-year SWR Rule 32 exception to flare 400 MCFD of casinghead gas from the Lease from the flare stack servicing the Lease, effective October 12, 2018 to October 11, 2020.
5. During the period from July 2018 to January 2019, the Well averaged approximately 300 MCFD with approximately 5.5% of the casinghead gas production being flared due to periodic interruptions in sales pipeline capacity. Future flaring would similarly be a result of interruptions due to insufficient sales pipeline capacity.
6. Continued Commission authority to flare casinghead gas from the Lease will allow Oasis to produce oil and gas and thereby reduce waste and harm to the producing reservoir.
7. The Commission's authorization of a SWR 37 exception to flare casinghead head gas is a measure to ensure legal disposition of all casinghead gas from the Lease.
8. In the hearing, Oasis agreed on the record that the Final Order in this docket, if not adverse, is to be final and effective when the Master 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 SWR 32.
4. Oasis 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 Oasis' request for a SWR 32 exception to flare a maximum of 400 MCFD from the flare stack servicing the Lease, effective October 12, 2018 to October 11, 2020.

Respectfully submitted,


Robert Musick, P.G.
Technical Examiner


Lynn Latombe
Administrative Law Judge