



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0316546

APPLICATION OF WPX ENERGY PERMIAN, LLC (942623) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR CBR 22 (GAS ID NO. 283813) LEASE, WELL 24H, SANDBAR (BONE SPRING) FIELD, LOVING COUNTY, TEXAS AND THE CBR 22 (GAS ID NOS. 283819 AND 283818, COMMINGLING PERMIT NO. 08-8244) LEASES, WELL NOS. 21H AND 22H, PHANTOM (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS.

EXAMINERS: Karl Caldwell – Technical Examiner – Heard by
Lynn Latombe – Administrative Law Judge – Heard by

Austin Gaskamp – Technical Examiner – Reviewed by
Ezra A. Johnson – Administrative Law Judge – Reviewed by

HEARING DATE: February 5, 2019

CONFERENCE DATE: May 21, 2019

APPEARANCES:

REPRESENTING:

Applicant:

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

WPX Energy Permian, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

WPX Energy Permian, LLC (942623) ("WPX") seeks two¹ Statewide Rule 32 Exceptions to flare gas well gas:

¹ The previous captions in this docket erroneously identified the CBR 22 Lease as Gas ID No. 283813 for both requested flaring exceptions. Upon investigation, the CBR 22 Lease is identified as three unique Gas ID numbers representing each well as an individual lease: 283813, 283819 and 283818. Gas ID No. 283813 encompasses the CBR 22 Well No. 24H. Gas ID Nos. 283819 and 283818, encompassing CBR 22 Well Nos. 21H and 22H, respectively, are surface commingled under Commingling Permit No. 08-8244. All three leases are identified as 'CBR 22' in Mainframe Display.

(1) a two-year Statewide Rule 32 Exception to flare a maximum of 1,000 thousand cubic feet per day ("MCFD") of gas well gas from the CBR 22 No. 24H well (Gas ID No. 283813), Sandbar (Bone Spring) Field ("Field"), Loving County, Texas, effective December 14, 2018 through December 14, 2020. WPX has previously received two administrative Rule 32 Exceptions (Permit Nos. 34915 and 36990) to flare a maximum of 100 MCFD of gas well gas from the CBR 22 Lease effective May 31, 2018 through December 13, 2018. The flare stack supports a single well, the No. 24H gas well producing from the Field;

(2) a two-year Statewide Rule 32 Exception to flare a maximum of 1,600 MCFD of gas well gas from the CBR 22 No. 21H and 22H well (Gas ID Nos. 283819, 283818), Phantom (Wolfcamp) Field ("Field"), Loving County, Texas, effective September 30, 2018 through September 30, 2020. WPX has previously received a 180-day administrative Rule 32 Exception (Permit No. 34017) to flare a maximum of 400 MCFD of gas well gas from the CBR 22 Lease effective April 1, 2018, through September 29, 2018. The central flare stack supports two gas wells producing from the Field with surface commingling authorized by Commingling Permit No. 08-8244.

DISCUSSION OF THE EVIDENCE

SWR 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, SWR 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. SWR 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, SWR 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

WPX's CBR 22-24H Lease is currently developed with one producing gas well in the Sandbar (Bone Spring) Field, the No. 24H well, which commenced production in February of 2018. Through December 2018, the well has flared 5,943 MCF from the Sandbar (Bone Spring) Field or 1.4% of total gas production via flare stack.

WPX's CBR 22-21H and CBR 22-22H Leases are currently developed with one gas well each (Nos. 21H and 22H) in the Phantom (Wolfcamp) Field with surface commingling of production authorized under Commingling Permit No. 08-8244. Nos. 21H and 22H wells were both completed in March 2018. The CBR 22 commingled Leases have flared 36,822 MCF from the Phantom (Wolfcamp) Field through December 2018 or 4.9% of total gas production via central flare stack.

WPX's testimony and evidence supports that the gas well gas from the CBR 22 Lease is normally sold into its primary market or to third-party purchasers. High line pressure in the gas gathering facilities necessitates WPX to flare the excess gas well gas. 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 December 2018 averaged 259 barrels

of oil per day (bopd) from the Sandbar (Bone Spring) Field and 392 bopd from the Phantom (Wolfcamp) Field. WPX stated that if the applications for the Rule 32 Exceptions were not granted, production from the Lease 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 to all offset operators and no protests were received.
2. WPX seeks two separate Statewide Rule 32 exceptions to flare gas well gas produced from the Phantom (Wolfcamp) Field and Sandbar (Bone Spring) Field from gas wells on the CBR 22 Leases:
 - a. a two-year Statewide Rule 32 Exception to flare a maximum of 1,000 thousand cubic feet per day ("MCFD") of gas well gas from the CBR 22 No. 24H well (Gas ID No. 283813), Sandbar (Bone Spring) Field ("Field"), Loving County, Texas, effective December 14, 2018 through December 14, 2020. WPX has previously received two consecutive administrative Rule 32 Exceptions (Permit No. 36990 and 34915) to flare a maximum of 100 MCFD of gas well gas from the Sandbar (Bone Spring) Field, CBR 22 Lease effective May 31, 2018 through December 13, 2018. The field name was incorrectly labelled on the administrative permits as Phantom (Wolfcamp). The flare stack supports a single well, the No. 24H gas well producing from the Field;
 - b. a two-year Statewide Rule 32 Exception to flare a maximum of 1,600 MCFD of gas well gas from the Nos. 21H and 22H wells (Gas ID Nos. 283819, 283818), Phantom (Wolfcamp) Field, Loving County, Texas, effective September 30, 2018 through September 30, 2020. WPX has previously received a 180-day administrative Rule 32 Exceptions (Permit No. 34017) to flare a maximum of 400 MCFD of gas well gas from the Phantom (Wolfcamp) Field, CBR 22 Leases effective April 1, 2018, through September 29, 2018. The central flare stack supports two gas wells producing from the Field with surface commingling authorized by Commingling Permit No. 08-8244.
3. The gas well gas from WPX's Lease is normally sold into its primary market or to third-party purchasers:
 - a. The CBR 22 Lease No. 24H - through December 2018 the well has flared 5,943 MCF or 1.4% of total gas production via its flare stack;

- b. The CBR 22 Lease Nos. 21H and 22H – through December 2018 the Lease has flared 36,822 MCF or 4.9% of total gas production via central flare stack.
4. High line pressure in the gas gathering facilities thereby necessitates WPX to flare the excess gas well gas in order to fully and efficiently extract the liquid hydrocarbons from the Field underlying the Lease 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 SWR 32 exception authority.
4. WPX agreed, on the record, that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order will 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 CBR 22 No. 24H Lease limited to flare a maximum of 1000 MCFD effective on December 14, 2018 through December 14, 2020, and (2) the central flare stack servicing the CBR 22 No. 21H and 22H Leases (Commingling Permit 08-8244) limited to flare a maximum of 1,600 MCFD effective September 30, 2019 through September 30, 2020.

Respectfully submitted,



Austin Gaskamp
Technical Examiner



Ezra A. Johnson
Administrative Law Judge