



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0317436

APPLICATION OF KALER ENERGY CORP. (450261) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HALLS BAYOU "A" LEASE, RATTLESNAKE MOUND (BIG GAS SAND) FIELD, BRAZORIA COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: March 15, 2019

CONFERENCE DATE: May 21, 2019

APPEARANCES:

Dale E. Miller
G Tyson McClead

REPRESENTING:

Kaler Energy Corp.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Kaler Energy Corp. ("Kaler") seeks a Statewide Rule 32 exception renewal for the Halls Bayou "A" (27355) Lease, Well No. 3, Rattlesnake Mound (Big Gas Sand) Field (No. 74821300), Brazoria County, Texas. Kaler is requesting an exception to Rule 32 to flare up to 300 thousand cubic feet per day ("MCF/Day") of casinghead gas for two years, from March 21, 2019 to March 20, 2021.

Kaler is the only operator adjacent to the section where the flare stack is located. 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 MCF/Day 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.

Well No. 3 (API No. 42-039-33304) is the only producing oil well on the Halls Bayou "A" Lease. This well is classified as an oil well pursuant to the W-2 dated September 10, 2018. From March 2018 to December 2018, data from the hearing indicates 117,635 thousand cubic feet ("MCF") of casinghead gas has been produced from the well with no gas flared during the approximately seven-month time period.

Kaler was granted an administrative exception to Statewide Rule 32, for the Halls Bayou "A" Lease flare point through Permit No. 37330. Under the flaring permit, the Lease was authorized to administratively flare 300 MCF/Day of casinghead gas for a 90-day period, effective December 20, 2018 to March 20, 2019. Kaler is requesting an exception to Rule 32 to flare up to 300 MCF/Day of casinghead gas for two years, from March 21, 2019 to March 20, 2021.

Testimony at the hearing indicates the well associated with the Halls Bayou "A" Lease, flare point is connected to a sales gathering pipeline. The well may require flaring authority during periods of routine maintenance, equipment malfunction, upset events, and sales line unavailability.

Kaler 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 at least ten (10) days prior to the date of the hearing and no protests were received.
2. Kaler Energy Corp. ("Kaler") seeks a Statewide Rule 32 exception renewal for the Halls Bayou "A" (27355) Lease, Well No. 3, Rattlesnake Mound (Big Gas Sand) Field (No. 74821300), Brazoria County, Texas.
3. Kaler was granted an administrative exception to Statewide Rule 32, for the Halls Bayou "A" Lease flare point through Permit No. 37330. Under the flaring permit, the Lease was authorized to administratively flare 300 MCF/Day of casinghead gas for a 90-day period, effective December 20, 2018 to March 20, 2019.
4. Kaler filed a letter dated January 10, 2018, requesting a hearing to be conducted to seek continued flaring authority for the Halls Bayou "A" Lease flare point.
5. A public hearing was held on March 15, 2019.
6. Kaler is requesting an exception to Rule 32 to flare up to 300 MCF/Day of casinghead gas for two years, from March 21, 2019 to March 20, 2021.

7. Well No. 3 (API No. 42-039-33304) is the only producing oil well on the Halls Bayou "A" Lease. This well is classified as an oil well pursuant to the W-2 dated September 10, 2018. From March 2018 to December 2018, data from the hearing indicates 117,635 MCF of casinghead gas has been produced from the well with no gas flared during the seven-month time period.
8. Testimony at the hearing indicates the well associated with the Halls Bayou "A" Lease, flare point is connected to a sales gathering pipeline. The well requires flaring authority during periods of routine maintenance, equipment malfunction, upset events, and sales line unavailability.
9. Kaler 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. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant, this Final Order is final and effective when 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 an exception to Statewide Rule 32 for the flare point servicing the Halls Bayou "A" (27355) Lease, Rattlesnake Mound (Big Gas Sand) Field (No. 74821300), Brazoria County, Texas.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge