



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0317020

APPLICATION OF HAWKWOOD ENERGY OPERATING, LLC (367676) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HERRING LEASE, WELL NO. 1H AND PIKE LEASE, WELL NO. 1H, AGUILA VADO (EAGLEFORD) FIELD, BURLESON COUNTY, TEXAS

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

HEARING DATE: March 6, 2019

CONFERENCE DATE: June 18, 2019

APPEARANCES:

Olga Kobzar
James M. Clark, P.E.

REPRESENTING:

Hawkwood Energy Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Hawkwood Energy Operating, LLC ("Hawkwood") seeks a Statewide Rule 32 exception renewal for the Herring (04276) Lease, Well No. 1H and Pike (04251) Lease, Well No. 1H, Aguila Vado (Eagleford) Field (No. 00870500), Burleson County, Texas. Hawkwood is requesting an exception to Rule 32 to flare up to 250 thousand cubic feet per day ("Mcf per day") of casinghead gas for two years, from January 16, 2019 through January 15, 2021.

The Herring and Pike Leases are connected to a sales pipeline, but the pipeline needs to be repaired resulting in casinghead gas not getting to market. Hawkwood has requested flaring authority to continue to produce oil from the associated wells since there administrative authority expired on January 15, 2019.

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 per 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.

The Herring and Pike Leases are both developed with a single horizontal well which commenced production in September 2015. The two wells are classified as oil wells and the primary value is the oil production stream. The two leases typically produce less than 50 Mcf per day, but the two leases share a common flare stack and currently flare approximately 90 Mcf per day, exceeding the exception criteria as outlined in Statewide Rule 32(h).

Hawkwood was granted an administrative exception to Statewide Rule 32, for the Herring and Pike Leases flare point through Permit No. 35859. Under the flaring permit, the flare point was authorized to administratively flare 500 Mcf per day of casinghead gas for a 110-day period expiring on November 1, 2018. In addition, Hawkwood was authorized to administratively flare 110 Mcf per day for 70 days, expiring January 15, 2019. Hawkwood is requesting an exception to Rule 32 to flare up to 250 Mcf per day of casinghead gas for two years, from January 16, 2019 through January 15, 2021.

The Herring and Pike Leases are connected to a sales pipeline, but the pipeline needs to be repaired resulting in casinghead gas not getting to market. Hawkwood has requested flaring authority to continue to produce oil from the Lease since there administrative authority is scheduled to expire on January 15, 2019.

Hawkwood 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. Hawkwood Energy Operating, LLC ("Hawkwood") seeks a Statewide Rule 32 exception renewal for the Herring (04276) Lease, Well No. 1H and Pike (04251) Lease, Well No. 1H, Aguila Vado (Eagleford) Field, Burleson County, Texas.
3. Hawkwood was granted an administrative exception to Statewide Rule 32, for the Herring and Pike Leases flare point through Permit No. 35859. Under the flaring

permit, the flare point was authorized to administratively flare 500 Mcf per day of casinghead gas for a 110-day period expiring on November 1, 2018. In addition, Hawkwood was authorized to administratively flare 110 Mcf per day for 70 days, expiring January 15, 2019. The cumulative administrative authority is 180-days.

4. Hawkwood filed a letter dated December 14, 2018, requesting a hearing to be conducted to seek continued flaring authority for the Herring (04276) Lease, Well No. 1H and Pike (04251) Lease, Well No. 1H.
5. A public hearing was held on March 6, 2019.
6. Hawkwood requested an exception to Rule 32 to flare up to 250 Mcf per day of casinghead gas for two years, from January 16, 2019 through January 15, 2021.
7. The Herring and Pike Leases are both developed with a single horizontal well which commenced production in September 2015. The two wells are classified as oil wells and the primary value is the oil production stream.
8. The Herring and Pike Leases are connected to a sales pipeline, but needed repairs to the gathering system has delayed or cancelled delivery of casinghead gas to market.
9. Hawkwood 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 Herring (04276) Lease, Well No. 1H and Pike (04251) Lease, Well No. 1H, Aguila Vado (Eagleford) Field, Burleson County, Texas. Hawkwood is requesting an exception to Rule 32 to flare up to 250 Mcf per day of casinghead gas for two years, from January 16, 2019 through January 15, 2021.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Lynn Latombe
Administrative Law Judge