



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 10-0317983**

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**APPLICATION OF VALPOINT OPERATING, LLC (881377) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LONESOME DOVE (09653) LEASE, WELL NO. 391H, BIVINS LIT (CANYON LIME) FIELD (08490750), HARTLEY COUNTY, TEXAS**

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**HEARD BY:** John Moore – Technical Examiner  
Lynn Latombe – Administrative Law Judge

**PREPARED BY:** John Moore – Technical Examiner  
Ezra Johnson – Administrative Law judge

**HEARING DATE:** April 12, 2019  
**RECORD CLOSE DATE:** April 12, 2019  
**CONFERENCE DATE:** June 18, 2019

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Olga Kobzar, Attorney  
James Clark, Consulting Engineer

Valpoint Operating, LLC

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Valpoint Operating, LLC (Operator No. 881377) ("VALPOINT" or "Applicant") seeks a two-year Statewide Rule 32 ("SWR 32") exception authority for the Lonesome Dove (09653) Lease ("Lease"), Well 391H, Bivins Lit (Canyon Lime) Field (Field No. 08490750), to flare a maximum of 100 thousand cubic feet per day ("Mcf/d") of casinghead gas. VALPOINT received 180-day administrative SWR 32 exception authority (Flare Permit No. 34280) which expired December 23, 2018. VALPOINT filed its SWR 32

exception authority hearing request on February 6, 2019. VALPOINT testified it is economically unfeasible at current casinghead gas production levels to construct and operate a 5.4-mile gas gathering system connecting the Lease with the only pipeline in the area, operated by Pioneer Natural Resources USA, Inc. ("Pioneer").

Proper notice was provided to the offset operators and the application is unopposed. The presiding Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend approval of a two-year SWR 32 exception authority for the Lonesome Dove (09653) Lease, Well 391H, Bivins Lit (Canyon Lime) Field, from February 6, 2019 to February 5, 2021.

### **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.

VALPOINT has previously received administrative SWR 32 exception authority pursuant to Flare Permit No. 34280 for the Lonesome Dove (09653) Lease, Well 391H, Bivins Lit (Canyon Lime) Field. The administrative SWR 32 exception authority expired on December 23, 2018, (see Attachment B). VALPOINT seeks SWR 32 exception authority to flare a maximum of 100 Mcfd of casinghead gas for a period of two years. VALPOINT's request for hearing in this docket was received by the Commission on February 6, 2019, which will effectively be the first day of the two-year SWR 32 exception authority, if granted by the Commission, (see Attachment A).

The Lease is located approximately 5.4 miles from the Pioneer gas pipeline. Pioneer is the nearest gas gatherer in the area. VALPOINT analyzed the financial feasibility of constructing its own pipeline to Pioneer's gas gathering system. VALPOINT estimated that the cost of constructing its pipeline from the Lease to Pioneer's pipeline would be \$2,166,500. At a fixed gas sales price of \$3.28 and with expected casinghead gas production volume decline, VALPOINT contends it would not recover \$1,164,454 of its pipeline investment over a ten-year period. VALPOINT testified that if future wells on the Lease produced additional casinghead gas, it would re-evaluate the feasibility of constructing a sales pipeline to the Pioneer gas gathering system.

VALPOINT agreed on the record, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

### **FINDINGS OF FACT**

1. Proper notice of this hearing was given to the offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. Valpoint Operating, LLC was previously granted an administrative SWR 32 exception authority for the Lonesome Dove (09653) Lease, Well 391H, Bivins Lit (Canyon Lime) Field, which terminated on December 23, 2018.
3. Valpoint Operating, LLC seeks a two-year Statewide Rule 32 exception authority for the Lonesome Dove (09653) Lease, Well 391H, Bivins Lit (Canyon Lime) Field to flare a maximum of 100 Mcfd of casinghead gas.
4. Pioneer Natural Resources USA, Inc. is the only gas gatherer in the area.
5. The Lease is located approximately 5.4 miles from the nearest Pioneer gathering line.
  - a. A pipeline connecting the Lonesome Dove (09653) Lease, Well 391H to the Pioneer gas gathering system is expected to cost \$2,166,500.
  - b. The expected cost of the pipeline exceeds the forecasted value of the Lease casinghead gas production over a ten-year period.
6. Valpoint Operating, LLC agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be 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 on the record, this Final Order is effective when a Master Order relating to this Final Order is signed.

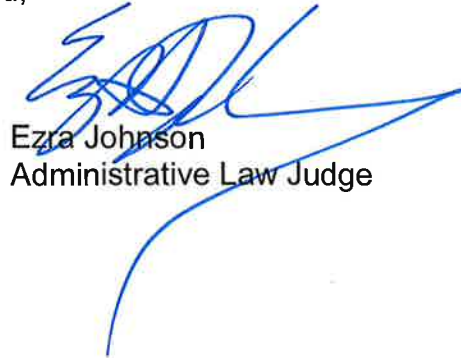
**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the application of Valpoint Operating, LLC for a two-year Statewide Rule 32 exception authority for the Lonesome Dove (09653) Lease, Well 391H, Bivins Lit (Canyon Lime) Field, to flare a maximum of 100 Mcfd of casinghead gas for the period from February 6, 2019 to February 5, 2021.

Respectfully submitted,



John L. Moore  
Technical Examiner



Ezra Johnson  
Administrative Law Judge

**ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY**

<b>Permit No.</b>	<b>Commingled Permit No. (If Applicable)</b>	<b>Flare Point Name</b>	<b>Permit Start Date</b>	<b>Permit End Date</b>	<b>Proposed Maximum Flare Volume (Mcf/d)</b>	<b>Casinghead Gas or Gas Well Gas</b>
34280	N/A	Lonesome Dove 391H	February 6, 2019	February 5, 2021	100	Casinghead Gas

**Note: Mcfd = Thousand Cubic Feet Per Day**

**ATTACHMENT B – ALL PREVIOUSLY APPROVED FLARE EXCEPTION AUTHORITY(IES)**

<b>Previous Flare Exception Permit No.</b>	<b>Commingle Permit No. (if applicable)</b>	<b>Flare Point Name</b>	<b>Previous Exception Authority Type (Admin. or Final Order No.)</b>	<b>Previous Permit End Date</b>	<b>Previous Maximum Flare Volume (Mcf/d)</b>	<b>Casinghead Gas or Gas Well Gas</b>
34280	N/A	Lonesome Dove 391H	Admin.	September 23, 2018	600	Casinghead Gas
34280	N/A	Lonesome Dove 391H	Admin.	December 23, 2019	130	Casinghead Gas