



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0321175

APPLICATION OF IMPETRO OPERATING LLC (423519) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS AND LEASES, PHANTOM (WOLFCAMP), SANDBAR (BONE SPRING), AND CRITTENDON (BRUSHY CANYON) FIELDS, WINKLER COUNTY, TEXAS

HEARD BY: John L. Moore – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

DATE OF HEARING: August 19, 2019

DATE OF CONFERENCE: September 11, 2019

APPEARANCES:

APPLICANT:

Brenda L. Clayton, Attorney
Kelly Hart & Hallman LLP
Dale Miller, Graduate Engineer, Consultant
Miller Consulting, Inc.
Christa Garrett, Impetro Operating LLC
Corey Wood, Impetro Operating LLC
David Lipp, RDP Producer Services, LLC

REPRESENTING:

Impetro Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Impetro Operating LLC ("Impetro") seeks renewal of various exceptions to Statewide Rule 32 ("SWR 32") for twenty-three (23) different leases served by fifteen (15) different flare points, as shown on Attachment A. Impetro seeks to flare each well at the maximum rate as shown on Attachment A to this report. The leases are in three fields: the Phantom (Wolfcamp), the Sandbar (Bone Spring) and the Crittendon (Brushy Canyon) Fields, Winkler County, Texas.

Four of the wells—wells that currently produce high levels of hydrogen sulfide ("H₂S") and carbon dioxide ("CO₂")—are currently shut-in due to the unavailability of a pipeline that can accept that quality of gas and the lack of a flaring exception. In addition

to a flaring exception for the shut-in wells, Impetro seeks flaring authority for various other wells. Intermittent, unforeseen system upsets, mechanical failures, compression issues, maintenance issues and weather-related events can require Impetro to flare gas in order to avoid shutting in the wells. Additionally, brief and unforeseen flaring could occur when a well, as a result of production and decline in reservoir pressures, must redirect from a high-pressure line to a lower pressure line.

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 Statewide Rule 32 ("SWR 32") exception authority for the fifteen (15) flare points on Attachment A, with the indicated effective dates and rates.

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 MCF/D may be granted administratively for a period of 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. The provisions of SWR 32(f)(1)(C), an event of a full or partial shutdown by a gas gathering system and 32(f)(2)(E), low pressure separator gas, are the basis of the exceptions being requested for the subject wells and flare points.

The current status of the fifteen flare points, with their associated wells, are as follows:

Flare Point 1: the Bison (48663) Lease, Well No.1H, in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. is 31009. The most recent administrative flare permit application requests a maximum flaring volume of 2,000 MCF/D through October 23, 2019, and such application is currently pending with Commission staff. Impetro requests a reduced maximum flaring volume of 783 MCF/D from October 24, 2019 through October 23, 2021, being a total of 230,430 MCF over that two-year period based on the projected decline curve analysis for the well. This well consistently produces into the Lucid Energy Delaware, LLC ("Lucid") gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 2: the Meerkat Lease (Gas ID No. 285241), Well No.1H, in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. is 33809, and the most recent administrative flare permit approved a maximum flaring volume of 5,000 MCF/D through October 21, 2018. Impetro requests a reduced maximum flaring volume of 1,937 MCF/D from June 25, 2019 (the filing date of the hearing request letter) through June 24, 2021, being a total of 752,436 MCF over that two-year period based on the projected decline curve analysis for this well. The Meerkat #1H recently had more flaring than normal as it

was converting from the high-pressure system into the low-pressure system, but it is now flowing back into the sales line. This well consistently produces into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 3: the A. G. Hill (50673) Lease, is associated with two wells commingled under Commingling Permit No. 08-8494. The commingled wells are the A.G. Hill (50673) Lease, Well No.1H, in the Phantom (Wolfcamp) Field, and the A.G. Hill Lease (Gas ID No. 285386), Well No. 2H, in the Sandbar (Bone Spring) Field. The administrative Flare Permit No. for Well No. 1H is 33411, and the most recent flare permit approves a maximum flaring volume of 3,000 MCF/D through July 3, 2019. The administrative Flare Permit No. for Well No. 2H is 35036, and the most recent flare permit approves a maximum flaring volume of 5,000 MCF/D through March 24, 2019. Well No. 2H has been voluntarily shut-in since June 28, 2019 as the pipeline could not accept the high concentration of sour gas from this well and the flare permit had expired. Impetro requests a reduced maximum flaring volume of 177 MCF/D for Well No.1H and 2,047 MCF/D for Well No. 2H from June 25, 2019 (the filing date of the hearing request letter) through June 24, 2021, being a total of 70,836 MCF and 424,700 MCF, respectively, over that two year period, based on the projected decline curve analysis for these two wells. This will provide for a combined rate of 2,224 MCF/D and a volume of 495,536 MCF over the next two years for this commingled flare point. Impetro requests flaring authority to cover the period of time that either or both wells are shut-out of Lucid's gathering system and also flaring authority to cover intermittent and unforeseen events.

Flare Point 4: the Howell Lease (Gas ID No. 284902), Well No.1H, in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. is 33810. The most recent administrative flare permit application requests a maximum flaring volume of 4,000 MCF/D through March 26, 2019, and such application is currently pending with Commission staff. This well has been voluntarily shut-in since June 28, 2019, as the pipeline could not accept the gas and the flare permit had expired. Impetro requests a reduced maximum flaring volume of 2,175 MCF/D from June 25, 2019 (the date of the hearing request letter) through June 24, 2021, being a total of 868,271 MCF over that two-year period, based on the projected decline curve analysis for this well. Impetro requests flaring authority to cover the period of time that the Howell #1H is shut-out of Lucid's gathering system and flaring authority to cover intermittent and unforeseen events, once the well is producing back into Lucid's pipeline.

Flare Point 5: the East Axis 2H, is associated with two wells commingled under Commingling Permit No. 08-8869. The commingled wells are the East Axis, Well No. 2H, Drilling Permit No. 840456, and the N.E. Axis, Well No. 2H, Drilling Permit No. 843796, both in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. for the East Axis, Well No. 2H is 36444, and the most recent administrative flare permit approved a maximum flaring volume of 6,500 MCF/D through May 4, 2019. This well has been voluntarily shut-in since June 28, 2019 as the pipeline could not accept the high concentration of sour gas and the flare permit had expired. The administrative Flare Permit No. for the N.E. Axis, Well No. 2H is 39611, and the most recent administrative flare permit approved a maximum flaring volume of 8,000 MCF/D through August 28,

2019. Impetro requests a reduced maximum flaring volume of 4,290 MCF/D for the East Axis, Well No. 2H and a slight increase to 8,027 MCF/D for the N.E. Axis, Well No. 2H from June 25, 2019 (the date of the hearing request letter) through June 24, 2021, being a total of 1,563,427 MCF and 1,880,533 MCF, respectively, over that two year period, based on the projected decline curve analysis for these two wells. This will provide for a combined rate of 12,317 MCF/D and 3,443,960 MCF over the next two years for this commingled flare point. Impetro requests flaring authority to cover the period of time that both wells are shut-out of Lucid's gathering system and also flaring authority to cover intermittent and unforeseen events.

Flare Point 6: the West Axis, is associated with two wells commingled under Commingling Permit No. 08-8513. The commingled wells are the Axis (51243) Lease, Well No. 1H, and the N.W. Axis, Well No. 1H, Drilling Permit No. 842067, both in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. for the Axis Lease Well No. 1H is 36154. The most recent administrative flare permit application requests a maximum flaring volume of 2,000 MCF/D through June 30, 2019, and such application is currently pending with Commission staff. The N.W. Axis Lease, Well No. 1H is still awaiting completion. Impetro requests a reduced maximum flaring volume of 864 MCF/D for the Axis Lease, Well No. 1H, and 4,000 MCF/D for the upcoming N.W. Axis Lease, Well No.1H from July 1, 2019 through June 30, 2021, being a total of 350,823 MCF and 731,616 MCF, respectively, over that two year period, based on the projected decline curve analysis for these two wells. This will provide for a combined rate of 4,864 MCF/D and 1,082,439 MCF over the next two years for this commingled flare point. These wells are expected to consistently produce into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 7: the Lion, is associated with two wells commingled under Commingling Permit No. 08-8335. The commingled wells are the Lion Lease (Gas ID No. 285427), Well No. 1H, and the Lion Lease (Gas ID No. 285132), Well No. 3H, both in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. for the Lion Lease, Well No. 1H is 31008, and the most recent administrative flare permit application requests a maximum flaring volume of 2,000 MCF/D through November 5, 2019. The administrative Flare Permit No. for the Lion Lease, Well No. 3H is 33403, and the most recent administrative flare permit application requests a maximum flaring volume of 3,000 MCF/D through August 11, 2019. Both administrative applications are currently pending with Commission staff. Impetro requests a reduced maximum flaring volume of 874 MCF/D for the Lion Lease, Well No. 1H and 1,417 MCF/D for the Lion Lease, Well No.3H from August 12, 2019 through August 11, 2021, being a total of 361,260 MCF and 696,916 MCF, respectively, over that two year period, due to the projected decline curve analysis for these two wells. This will provide for a combined rate of 2,291 MCF/D and 1,058,176 MCF over the next two years for this commingled flare point. These wells consistently produce into the Lucid gathering system. Impetro requests emergency flaring authority to cover intermittent and unforeseen events.

Flare Point 8: the Hippo, is associated with two wells commingled under Commingling Permit No. 08-8336. The commingled wells are the Hippo Lease (Gas ID

No. 284912), Well No. 1H, and the Hippo Lease (Gas ID No. 284885), Well No. 2H, both in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. for the Hippo Lease, Well No. 1H, is 31007, and the most recent administrative flare permit application requests a maximum flaring volume of 2,000 MCF/D through September 20, 2019. The administrative Flare Permit No. for the Hippo Lease, Well No. 2H, is 33808, and the most recent administrative flare permit application requests a maximum flaring volume of 3,000 MCF/D through August 12, 2019. Both administrative applications are currently pending with Commission staff. Impetro requests a reduced maximum flaring volume of 417 MCF/D for the Hippo Lease, Well No. 1H, and 828 MCF/D for the Hippo Lease, Well No. 2H, from August 13, 2019 through August 12, 2021, being a total of 294,275 MCF and 353,058 MCF, respectively, over that two year period, based on the projected decline curve analysis for these two wells. This provides for a combined rate of 1,245 MCF/D and 647,333 MCF over the next two years for this commingled flare point. These wells consistently produce into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 9: the Tiger, is associated with two wells commingled under Permit No. 08-8489. The commingled wells are the Tiger Lease (Gas ID No. 285411), Well No. 1H, in the Phantom (Wolfcamp) Field, and the Tiger Lease, Well No. 3H, Drilling Permit No. 841189, in the Sandbar (Bone Spring) Field. The Flare Permit No. for the Tiger Lease, Well 1H, is 31886, and the most recent flare permit application requests a maximum flaring volume of 3,500 MCF/D through August 2, 2019. The Flare Permit No. for the Tiger Lease, Well No. 3H is Flare Permit No. 36386, and the most recent flare permit application requests a maximum flaring volume of 5,000 MCF/D through September 4, 2019. Both applications are currently pending with Commission staff. Impetro requests a reduced maximum flaring volume of 480 MCF/D for the Tiger Lease, Well No. 1H and 1,674 MCF/D for the Tiger Lease, Well No. 3H from August 3, 2019 through August 2, 2021, being a total of 314,421 MCF and 894,197 MCF, respectively, over that two year period, based on the projected decline curve analysis for these two wells. This provides for a combined rate of 2,154 MCF/D and 1,208,618 MCF over the next two years for this commingled flare point. These wells consistently produce into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 10, the Kudu B (Gas ID No. 284911) Lease, Well No. 1H, is associated with the Kudu B, Well No. 1H, in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. is 23685, and the most recent administrative flare permit approved a maximum flaring volume of 2,000 MCF/D through February 24, 2016. Impetro requests a reduced maximum flaring volume of 901 MCF/D from June 25, 2019 (the date of the hearing request letter) through June 24, 2021, being a total of 109,666 MCF over that two-year period, based on the projected decline curve analysis for this well. This well consistently produces into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 11, the Moose, is associated with two wells commingled under Commingling Permit No. 08-8762. The commingled wells are the Moose Lease (285179), Well No. 1H, and the Oso Lease, Well No. 1H, Drilling Permit No. 842584, both in the

Phantom (Wolfcamp) Field. The administrative Flare Permit No. for the Moose Lease, Well No.1H is 35035, and the most recent administrative flare permit approves a maximum flaring volume of 5,000 MCF/D through August 2, 2019. The administrative Flare Permit No. for the Oso Lease, Well No.1H, is 38402. The most recent administrative flare permit application approved a maximum flaring volume of 6,000 MCF/D through September 11, 2019. Impetro requests a reduced maximum flaring volume of 1,121 MCF/D for the Moose Lease, Well No. 1H and 2,485 MCF/D for the Oso Lease, Well 1H from August 3, 2019 through August 2, 2021, being a total of 461,045 MCF and 611,045 MCF, respectively, over that two year period, based on the projected decline curve analysis for these two wells. This provides for a combined rate of 3,606 MCF/D and 1,072,090 MCF over the next two years for this commingled flare point. These wells consistently produce into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 12: the Kudu A (47512) Lease, Well No.1H, is associated with the Kudu A Lease, Well No.1H in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. is 32163. The most recent administrative flare permit application requests a maximum flaring volume of 3,000 MCF/D through September 11, 2019, and such application is currently pending with Commission staff. Impetro requests a reduced maximum flaring volume of 1,248 MCF/D from September 12, 2019 through September 11, 2021, being a total of 340,380 MCF over that two-year period, based on the projected decline curve analysis for this well. This well consistently produces into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point: 13: the Antelope Lease (Gas ID No. 285419), Well No. 1H, is associated with the Antelope Lease, Well No. 1H in the Sandbar (Bone Spring) Field. The administrative Flare Permit No. is 34100, and the most recent administrative flare permit approved a maximum flaring volume of 5,000 MCF/D through March 6, 2019. This well has been voluntarily shut-in since July 2, 2019 as the pipeline could not accept the high concentrations of sour gas and the administrative flare permit had expired. Impetro requests a reduced maximum flaring volume of 3,586 MCF/D from June 25, 2019 (the date of the hearing request letter) through June 24, 2021, being a total of 932,075 MCF over that two-year period, based on the projected decline curve analysis for this well. Impetro requests flaring authority to cover the period of time that the Antelope Lease, Well No.1H, is shut-out of Lucid's gathering system and also flaring authority to cover intermittent and unforeseen events, once the well is producing into the Lucid gathering system.

Flare Point 14: the Grizzly, is associated with two wells commingled under Commingle Permit No. 08-8308. The commingled wells are the Grizzly Lease (Gas ID No. 284973), Well No.1H, and the Grizzly Lease (Gas ID No. 284516), Well No. 2H, both in the Phantom (Wolfcamp) Field. The administrative Flare Permit No. for the Grizzly Lease, Well No. 1H, is 30809, and the most recent administrative flare permit application requests a maximum flaring volume of 2,000 MCF/D through October 6, 2019. The administrative Flare Permit No. for the Grizzly Lease, Well No. 2H, is 33402, and the most

recent administrative flare permit application requests a maximum flaring volume of 3,000 MCF/D through July 5, 2019. Both administrative applications are currently pending with Commission staff. Impetro requests a reduced maximum flaring volume of 440 MCF/D for the Grizzly Lease, Well No.1H, and 1,135 MCF/D for the Grizzly Lease, Well No. 2H, from July 6, 2019 through July 5, 2021, being a total of 344,929 MCF and 529,277 MCF, respectively, over that two-year period, based on the the projected decline curve analysis for these two wells. This provides for a combined rate of 1,575 MCF/D and 874,206 MCF over the next two years for this commingled flare point. These wells consistently produce into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

Flare Point 15, the Wolfe Unit (47679) Lease, Well No.3H, is associated with the Wolfe Unit Lease, Well No. 3H, in the Crittendon (Brushy Creek) Field. The well does not yet have a flare permit number at the time of hearing. The most recent administrative flare permit application requests a maximum flaring volume of 70 MCF/D through June 30, 2019, and such administrative application is currently pending with Commission staff. Impetro requests a maximum flaring volume of 70 MCF/D from July 1, 2019 through June 30, 2021, being a total of 34,126 MCF over that two-year period, based on the projected decline curve analysis for this well. This well consistently produces into the Lucid gathering system. Impetro requests flaring authority to cover intermittent and unforeseen events.

As stated above, four (4) Impetro wells are currently shut-in due to lack of the Lucid gathering system to accept the high H₂S and CO₂ production concentration of the produced gas from these four wells. The problem began in October of 2018, when Impetro brought on four new high-producing wells, the A.G. Hill Lease, Well No. 2H, the Howell Lease, Well No.1H, the East Axis Lease, Well No. 2H, and the Antelope Lease, Well No. 1H. Along with hydrocarbons, the wells produced relatively high concentrations of H₂S and CO₂; therefore, Impetro's gatherer, Lucid, could not accept the gas. For several months, Impetro attempted to resolve the problem by blending the production from different wells in different combinations so as to deliver the produced gas in a stream acceptable to Lucid. When that did not work, Lucid shut Impetro out of the receipt point for all four wells and has not allowed gas sales from any of these wells since late January 2019. Ultimately, in late June or early July, when Impetro realized its existing flaring authority for those particular wells had actually expired, it immediately and voluntarily shut the wells in.

David Lipp of RDP Producer Services, LLC, the liaison between Lucid and Impetro and other third-party contractors, testified regarding efforts to find a technical solution. Mr. Lipp testified that Lucid has advised him that, since the time it shut Impetro out, it has been working to increase capacity at its surface treatment facilities in order to take more H₂S and CO₂ gas at higher concentrations. Simultaneously, Impetro has been working with third party contractors to devise an innovative, first-of-its-kind solution that would allow Impetro to economically field treat high H₂S gas before it is delivered to Lucid. Impetro has spent approximately \$1.5 million in the last several months to help develop this technology. Such technology could begin to function in as short a period as a month

to six months; however, given that the technology is new and untested, it might not work at all.

Mr. Lipp testified that Impetro has a backup plan, which is to use a tested but uneconomic system of treatment. The alternative system would cost approximately \$18-20 million to construct, and its ongoing additional operating costs would be between \$1.50-2.00/MCF. At current prices, it will be uneconomic to produce, treat, and sell the gas. Regardless, Impetro plans to do so, if the new technology does not work, in order to conserve hydrocarbons while it continues to produce oil and condensate.

Both Mr. Miller, Consulting Engineer, and Mr. Wood, Operations Engineer, testified about the problems that are likely to arise if the wells remain shut-in. First, as with any oil and gas well, shutting it in creates the possibility of decreasing the well's ultimate recovery.

Second, because these are horizontal wells, the possibility of lost reserves and the loss of a producing well is compounded. Horizontal wells undulate and the drainhole varies in depth, creating high and low spots in the wellbore. Shutting in a horizontal well accumulates liquids in the low spots, making it more difficult or perhaps even impossible to restart the flow from the well. Mr. Miller and Mr. Wood both testified as to the substantial amount of water that these wells produce, and evidence was presented by both regarding the large amounts of produced water. This water could essentially restrict the wellbore and prevent hydrocarbons from flowing when the wells are finally returned to service.

Third, horizontal wellbores are generally considerably longer than traditional vertical wells, so there are simply more places for things to go wrong.

Finally, in this case, the problems with reestablishing a producing well are further compounded by the presence of high H₂S and CO₂, which are the very substances that caused Lucid to shut Impetro out of Lucid's pipeline. H₂S and water create sulfuric acid; CO₂ and water create carbonic acid. The highly corrosive environment from these acids can damage downhole tubulars and casing. Mr. Wood testified that, after only ten months of use, the tubing string on the A.G. Hill Lease, Well No. 1H, had to be replaced due to signs of pitting. The four shut-in wells have tubing with similar specifications installed and are currently subjected to stagnant corrosive fluids and gas. Impetro has begun to install capillary strings elsewhere in the field, originally for paraffin dispersant and now for corrosion inhibition. However, Impetro is unable to treat the shut-in wells because they are not producing and, therefore, there is no way to install the capillary string or treat the wellbores as they have to be producing to apply the inhibitor. Mr. Miller and Mr. Wood testified that the mechanical integrity of the wellbores are at risk, which could lead to the ultimate waste of all remaining recoverable reserves in communication with these wellbores.

There are currently four Impetro delivery points to Lucid's gathering line located in Texas: one located close to Flare Point 14 (Delivery Point 1), two close to Flare Point 7 (Delivery Points 2 and 3), and one close to Flare Point 3 (Delivery Point 4). The delivery

point to which Impetro cannot deliver gas through is the one close to Flare Point 3, or Delivery Point 4. Therefore, at Delivery Point 4, though there is a pipeline present, that pipeline is currently not available for sales. The wells that have no available pipeline include A.G. Hill #1H, the A.G. Hill #2H, the Howell #1H, the East Axis #2H, the N.E. Axis #2H, and the Antelope #1H. Impetro is able to deliver gas for sale through the other delivery points.

Although they have a relatively low producing ratio of gas to oil, many of the wells are classified as gas wells under the provisions available in the special field rules for the Phantom (Wolfcamp) and the Sandbar (Bone Spring) Fields. The field rules for these two fields allow an operator, at its own discretion, to classify a well as a gas well if the gas-oil ratio (GOR) is 3,000 cubic feet per barrel and above. Mr. Miller testified that Impetro classified the wells as gas wells to take advantage of the severance tax incentives that allow operators in tight reservoirs to obtain tax credits for the gas production available on these wells to promote drilling and development of these reserves.

Impetro requested two forms of administrative relief due to the exigent circumstances created by the shut-in wells. First, it requested an interim order giving it the right to flare the four shut-in wells in order to prevent harm to the wells and to the reservoir. Second, it requested that the flare permits for the shut-in wells, when issued, be effective June 25, 2019, the date of the filing of the hearing request letter for flare exception authority. It further requested that same date to be the effective date for any of the wells that had an expired flare permit when the hearing request letter was filed. The Examiners, rather than grant an interim order, have expedited the processing of this Examiners' Report and Recommendation and the accompanying Final Order.

Impetro 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. Impetro filed an application ("Application") seeking a two-year exception to Title 16 of the Texas Administrative Code § 3.32 ("Statewide Rule 32") for authority to flare from fifteen (15) flare points servicing twenty-three wells in the Phantom (Wolfcamp) Field, the Sandbar (Bone Spring) Field, and Crittendon (Brushy Canyon) Field, Winkler County Texas. (see Attachment A)
2. Impetro submitted a request for hearing on the Statewide Rule 32 flaring exceptions on June 25, 2019.
3. Impetro has either been granted or has applied for administrative exceptions to Statewide Rule 32 to flare casinghead gas and gas well gas for all leases and wells subject to its request for hearing.

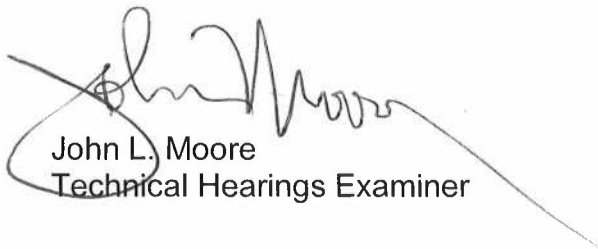
4. On July 16, 2019 the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Impetro and all offsetting operators in the fields setting a hearing date of August 19, 2019. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on August 19, 2019. Applicant appeared and participated at the hearing. No one appeared in protest.
5. Lucid is the only gas gatherer connected to and capable of taking gas from the subject wells.
6. Intermittent, unforeseen system upsets, mechanical failures, compression issues, maintenance issues and weather-related events can require Impetro to flare gas in order to avoid shutting in the wells which may reduce the ultimate recovery of hydrocarbons.
7. All of Impetro's twenty-three (23) wells serviced by the fifteen (15) flare points produce H₂S levels in excess of 100 parts per million.
8. The A.G. Hill (Gas ID No. 285386) Lease, Well No. 2H, the Howell (Gas ID No. 284902), Well No. 1H, the East Axis Lease, Well No. 2H (Drilling Permit No. 840456) and the Antelope (Gas ID. No. 285419), Well No.1H Well, are currently shut-in:
 - a. The high concentration of H₂S and CO₂ produced from these wells exceed Lucid's capacity to accept the production.
 - b. The Administrative flare permits granted to the flare points servicing these wells have expired.
 - c. Impetro is working to resolve production treatment issues for these wells.
9. The requested volumes to be flared at each of the flare points identified in Attachment A are established by each well's respective deliverability and projected decline curve.
10. The requested Statewide Rule 32 exceptions to flare casinghead gas and gas well gas is necessary for Impetro to produce the recoverable oil and hydrocarbon liquids from the twenty-three wells.
11. At the hearing, Impetro agreed on the record that the Final Order in this docketed case is to be final and effective when a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice was issued to persons entitled to notice. See, e.g., Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. See, e.g., Tex. Nat. Res. Code § 81.051.
3. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law unless authorized. 16 Tex. Admin. Code § 3.32(b).
4. Statewide Rule 32 provides exceptions allowing the flaring of gas if certain requirements are met and the flaring is necessary. See, e.g., 16 Tex. Admin. Code § 3.32(f), (h).
5. Impetro has met the requirements in Statewide Rule 32 to flare gas and the flaring of such gas is necessary.
6. 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 the application of Impetro Operating LLC for a two-year Statewide Rule 32 exception authority for the flare points, in the amounts, and effective on the dates indicated on Attachment A to this report.



John L. Moore
Technical Hearings Examiner



Kristi M. Reeve
Administrative Law Judge

ATTACHMENT A - PROPOSED FLARE EXCEPTION AUTHORITY

Flare Point No.	Permit No.	Commingle Permit No. (If Applicable)	Flare Point Name	Well Name and Number	Lease No./ID No.	Permit Start Date	Permit End Date	Proposed Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas
1	31009	N/A	Bison	Bison #1H	48663	10/24/2019	10/23/2021	783	Casinghead Gas
2	33809	N/A	Meerkat	Meerkat #1H	285241	6/25/2019	6/24/2021	1,937	Gas Well Gas
3	33411	8494	AG Hill	A.G. Hill #1H	50673	6/25/2019	6/24/2021	2,224	Casinghead Gas
	35036			A.G. Hill #2H	285386				Gas Well Gas
4	33810	N/A	Howell	Howell #1H	284902	6/25/2019	6/24/2021	2,175	Gas Well Gas
5	36444	8869	E Axis 2H	East Axis #2H	DP #840456	6/25/2019	6/24/2021	12,317	Gas Well Gas
	39611			N.E. Axis #2H	DP #843796				Gas Well Gas
6	36154	8513	W Axis	Axis #1H	51243	7/1/2019	6/30/2021	4,864	Casinghead Gas
				N.W. Axis #1H	DP# 842067				Gas Well Gas
7	31008	8335	Lion	Lion #1H	285427	8/12/2019	8/11/2021	2,291	Gas Well Gas
	33403			Lion #3H	285132				Gas Well Gas
8	31007	8336	Hippo	Hippo #1H	284912	8/13/2019	8/12/2021	1,245	Gas Well Gas
	33808			Hippo #2H	284885				Gas Well Gas
9	31886	8489	Tiger	Tiger #1H	285411	8/3/2019	8/2/2021	2,154	Gas Well Gas
	36386			Tiger #3H	DP #841189				Gas Well Gas
10	23685	N/A	Kudu B 1H	Kudu B #1H	284911	6/25/2019	6/24/2021	901	Gas Well Gas
11	35035	8762	Moose	Moose #1H	285179	8/3/2019	8/2/2021	3,606	Gas Well Gas
	38402			Oso #1H	DP #842584				Gas Well Gas
12	32163	N/A	Kudu A 1H	Kudu A #1H	47512	9/12/2019	9/11/2021	1,248	Casinghead Gas
13	34100	N/A	Antelope 1H	Antelope #1H	285419	6/25/2019	6/24/2021	3,586	Gas Well Gas
14	30809	8308	Grizzly	Grizzly #1H	284973	7/6/2019	7/5/2021	1,575	Gas Well Gas
	33402			Grizzly #2H	284516				Gas Well Gas
15	N/A	N/A	Wolfe 3H	Wolfe Unit #3H	47679	7/1/2019	6/30/2021	70	Casinghead Gas