



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0285585

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THE APPLICATION OF VENADO OIL AND GAS FOR AN EXCEPTION TO STATEWIDE  
RULE 32 FOR THE EIGHT BALL UNIT, WELL NO. 2H, AND FASKE BIRNBAUM  
LEASE, WELL NO. 2HR, EAGLEVILLE (EAGLEFORD-2) FIELD, LEE COUNTY, TEXAS

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HEARD BY: Paul Dubois – Technical Examiner  
Marshall Enquist – Legal Examiner

HEARING DATE: December 5, 2013

APPEARANCES: REPRESENTING:

**APPLICANT:**

David Gross  
Brenda Wise  
Jason Churchill

Venado Oil & Gas

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Venado Oil & Gas (Venado) requests one-year exceptions to Statewide Rule 32 to flare gas from its Eight Ball Unit No. 2H and Faske Birnbaum Lease No. 2HR wells in the Eagleville (Eagleford-2) Field in Lee County, Texas. All offset operators in the field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The examiners recommend approval of the exceptions to Statewide Rule 32 to flare gas for the subject wells, as requested by Venado.

The examiners note that the two wells were placed in the Eagleville (Eagleford-2) Field, even though the wells are located in Lee County, which is considered to be in Commission District 03. The Applicant indicates that this was done at the direction of Commission staff at a time when Eagle Ford Formation field names were being established for the area.

### DISCUSSION OF THE EVIDENCE

The subject wells in this application are completed in the Eagle Ford Formation area of East-Central Texas. The area lacks existing oil and gas infrastructure for new production facilities, in particular gas gathering, processing, and transmission facilities. Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. In the subject applications, Venado is requesting to flare gas produced by the subject wells, as provided in Statewide Rule 32(h), for a limited time until appropriate gas facilities and connections can be completed.

#### **Eight Ball Unit Well No. 2H**

The Eight Ball Unit Well No. 2H is located 6.49 miles northwest from Giddings, Texas. The well was completed on April 30, 2013. On its 24-hour initial potential test the well produced 422 BO and 102 MCF gas with a gas-to-oil ratio (GOR) of 241 SCF/Bbl. Venado requested and was granted an administrative permit to flare 93 MCF/D of casinghead gas from May 27, 2013, until November 23, 2013, for a total of 180 days. On October 29, 2013, Venado requested a hearing to extend the flaring authority.

The Eight Ball well is on the fringe of Austin Chalk production; the well is outside of the 'halo' of Austin Chalk depletion and is experiencing hyperbolic decline. On December 1, 2013 the well produced 187 BO and 73 MCF gas. Cumulative production is 45,065 BO and 17,450 MCFG; Estimated ultimate recoveries are 352,532 BO and 105,760 MCF gas.

Pipeline connection possibilities for the casinghead gas are limited, and include (1) an inactive gathering line located about 1.5 miles south of the well, and (2) an existing DCP Midstream line that is from 2.6 to 3.2 miles to the southeast, depending on right-of-way route. Venado estimates that connecting to the DCP Midstream pipeline would not be economical for the one well. Venado is requesting the SWR 32 exception be granted for an additional 12 months to provide time for offset development, or for gas production to fall below the 50 MCF/D administrative threshold for permanent exception. Venado requests authority to flare 100 MCF/D during the 12-month period.

#### **Faske Birnbaum Lease Well No. 2HR**

The Faske Birnbaum Lease Well No. 2HR is located 3.23 miles northeast from Giddings, Texas. The well was completed on May 26, 2013. On its 24-hour initial potential test the well produced 481 BO and 187 MCF gas with a GOR of 388 SCF/Bbl. Venado requested and was granted an administrative permit (No. 14392) to flare 80 MCF/D of

casinghead gas from May 27, 2013, until November 23, 2013, for a total of 180 days. On October 29, 2013, Venado requested a hearing to extend the flaring authority.

The Faske Birnbaum well is similarly situated. On December 1, 2013 the well produced 169 BO and 63 MCF gas. Cumulative production is 41,590 BO and 17,884 MCFG; Estimated ultimate recoveries are 352,532 BO and 105,760 MCF gas.

Venado is negotiating a pipeline connection for the casinghead gas. There are two options for disposition, one of which connects to an HPL pipeline about 2 miles to the west and the second is about 1.75 miles to the east to a DCP Midstream connection point. Venado estimates that connecting to the DCP Midstream pipeline would be economical, although time is needed to finalize negotiations, obtain right-of-way, and construct the pipeline. Completion of a connection to either location would also enable Venado to sell gas from its nearby Birnbaum Unit 1H well, which is completed in the Taylor Sand. Venado is requesting the SWR 32 exception be granted for an additional 12 months to provide time to complete negotiations and build the connection. Venado requests authority to flare 100 MCF/D during the 12-month period.

#### **FINDINGS OF FACT**

1. Proper notice of this hearing was given. For each well all offset operators in the appropriate field were notified at least ten days prior to the date of hearing. There were no protests to the application.
2. The Eight Ball Unit Well No. 2H was completed on April 30, 2013, and produced 422 BO/D and 102 MCF/D.
  - a. Venado requested and was granted an administrative permit to flare 93 MCF/D of casinghead gas from May 27, 2013, until November 23, 2013, for a total of 180 days.
  - b. On October 29, 2013, Venado requested a hearing to extend the flaring authority.
  - c. Pipeline connection possibilities for the casinghead gas are limited; Venado estimates that connecting to the DCP Midstream pipeline would not be economical for the one well.
  - d. Venado is requesting the SWR 32 exception be granted to flare 100 MCFG/D for an additional 12 months to provide time for offset development, or for gas production to fall below the 50 MCF/D administrative threshold for permanent exception.

3. The Faske Birnbaum Lease Well No. 2HR was completed on May 26, 2013 and produced 481 BO/D and 187 MCFG/D.
  - a. Venado requested and was granted an administrative permit (No. 14392) to flare 80 MCF/D of casinghead gas from May 27, 2013, until November 23, 2013, for a total of 180 days.
  - b. On October 29, 2013, Venado requested a hearing to extend the flaring authority.
  - c. Venado is negotiating a pipeline connection for the casinghead gas and estimates that connecting to the DCP Midstream pipeline would be economical, although time is needed to finalize negotiations, obtain right-of-way, and construct the pipeline.
  - d. Venado is requesting the SWR 32 exception be granted to flare 100 MCFG/D for an additional 12 months to provide time to complete negotiations and build the connection.

**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. Approval of the requested exceptions to Statewide Rule 32 to flare 100 MCF/D casinghead gas for each of the subject wells for a period of one year will not harm correlative rights.

**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 subject well, as requested by Halcon.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Marshall Enquist  
Legal Examiner