



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0285159

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THE APPLICATION OF AURORA USA DEVELOPMENT, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE JULIE BECK LEASE, EAGLEVILLE (EAGLEFORD-2) FIELD, KARNES AND LIVE OAK COUNTIES, TEXAS

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HEARD BY: Paul Dubois – Technical Examiner  
Terry Johnson – Hearing Examiner

HEARING DATE: January 16, 2014

APPEARANCES: REPRESENTING:

APPLICANT:

Doug Dashiell  
John Campbell

Aurora USA Development, LLC

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Aurora USA Development, LLC (Aurora) requests an exception to Statewide Rule 32 to flare gas from six wells through four flares on its Julie Beck Lease in the Eagleville (Eagleford-2) Field in Karnes and Live Oak Counties, Texas. All offset operators in the field were notified of the hearing. The hearing was not protested. The examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject wells, as requested by Aurora.

#### DISCUSSION OF THE EVIDENCE

Aurora's Julie Beck Lease straddles the Karnes and Live Oak County lines. The Julie Beck Lease is approximately 14.5 miles northeast of Whitsett and 15 miles west of Kenedy. Aurora acquired six existing wells on the lease on March 29, 2013 from Cinco Natural Resources. Aurora is a new operator in the State of Texas. Cinco Natural

Resources, ran the lease on behalf of Aurora until August 8, 2013. Aurora has since completed five additional wells.

Wells on the Julie Beck Lease produce gas containing from 1,000 to 3,400 ppm hydrogen sulfide (H<sub>2</sub>S). At the time Aurora acquired the wells, delivery points for gas were limited to a 2 ppm sweet gas line and a 400 ppm sour gas sales line. Aurora used two amine plants to sweeten the gas prior to sales. Regency Pipeline has since connected the Lease by a 4,000 ppm sour gas line that delivers the sour gas to Regency's Tilden processing plant. This connection was made on January 3, 2014. Currently Aurora sells 5 to 6 MMCF GPD into the Regency system.

On September 9, 2013, Aurora filed applications for administrative exceptions to Statewide Rule 32 to flare gas from the lease. The original applications were for five flare points and authority was granted from September 9, 2013 through October 24, 2013 as follows:

- Julie Beck Central Delivery Point (CDP), Permit No. 14298, authority to flare 1,500 MCFPD
- Julie Beck Wells 4H, 5H and 6H, Permit No. 14297, authority to flare 700 MCFPD
- Julie Beck 3H, Permit No. 14294, authority to flare 650 MCFPD
- Julie Beck 2H, Permit No. 14295, authority to flare 700 MCFPD
- Julie Beck 1H, Permit No. 14296, authority to flare 1,300 MCFPD

Commission staff informed Aurora that they were required to have permits in place from the date of their acquisition of the lease (March 29, 2013). Revised applications were submitted on October 7, 2013, backdating the exception requests from March 29, 2013 through September 8, 2013; these applications were subsequently administratively approved. The total administrative exception granted was for 208 days.

On October 4, 2013, Aurora requested a hearing to seek a Commission Final Order to extend the flaring authority for the wells until March 31, 2014. The backdated applications were administratively approved. The hearing was requested before the administrative flaring authority expired.

Since connection of the sales point on January 3, 2014, Aurora no longer has a need for flaring authority at the CDP. However, the production characteristics of Aurora's Julie Beck lease include variable volume 'slugs' of gas from the six older wells. These

wells are producing via gas lift, which may result in production volume 'slugs' that at times exceed the capacity of the surface compression facilities. These mechanical limitations result in Aurora's need to intermittently flare gas from one of its four flare points on the lease serving the older six wells. Under Statewide Rule 32, intermittent events may be flared as long as they (1) do not exceed 24 hours in one continuous event, and (2) do not exceed a total of 72 hours total one calendar month.

Aurora has begun to refit the wells with smaller tubing resulting in lowering and possibly eliminating the 'slug' production issues in the older wells. Aurora is also working to replace the compressor configuration that can accommodate variable flow. This equipment should be in place sometime in February, 2014. Aurora is requesting the extended flare authority from October 25, 2013, to March 31, 2014, to accommodate these production-characteristic volumes until a permanent remedy is in place. With regard to flare volumes, Aurora is requesting 1,500 MCFG per well per month, which is approximately 50 MCFG per well per day. The examiners recommend approval of Aurora's request.

#### **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. Aurora acquired six wells on the Julie Beck Lease on March 29, 2013.
3. The H<sub>2</sub>S concentration of the produced gas ranges from 1,000 to 3,400 ppm.
4. At the time of acquisition sour gas sales options were limited.
5. Aurora has obtained administrative permits to flare gas from five flare points on its Julie Beck Lease from March 29, 2013 through October 24, 2013, as follows:
  - a. Julie Beck Central Delivery Point (CDP), Permit No. 14298, authority to flare 1,500 MCFPD;
  - b. Julie Beck Wells 4H, 5H and 6H, Permit No. 14297, authority to flare 700 MCFPD;
  - c. Julie Beck 3H, Permit No. 14294, authority to flare 650 MCFPD;
  - d. Julie Beck 2H, Permit No. 14295, authority to flare 700 MCFPD; and

- e. Julie Beck 1H, Permit No. 14296, authority to flare 1,300 MCFPD.
- 6. Regency pipeline has connected the lease to its sour gas gathering system, providing a sales point for untreated gas.
- 7. The six older wells produce by gas lift that results in intermittent 'slugs' of gas that exceed the capacity of the compressor system and must be flared.
- 8. Aurora is refitting the six older wells with smaller tubing that will reduce and possibly eliminating the 'slug' production issues in the these wells.
- 9. Aurora is also working to replace the compressor configuration that can accommodate variable flow. This equipment should be in place sometime in February, 2014.

**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 exception to Statewide Rule 32 to flare 1,500 MCF of casinghead gas per well per month from October 25, 2013 through March 31, 2014, will protect 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 Aurora.

Respectfully submitted,

  
Paul Dubois  
Technical Examiner

  
Terry Johnson  
Hearing Examiner