



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0297619**

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**THE APPLICATION OF APACHE CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE AUGUSTA BARROW LEASE, VARIOUS WELLS, SPRABERRY (TREND AREA) FIELD, ECTOR COUNTY, TEXAS**

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**HEARD BY:** Richard Eyster, P.G. – Technical Examiner  
John Dodson – Hearings Examiner

**HEARING DATE:** September 28, 2015

**CONFERENCE DATE:** October 20, 2015

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:**

Thomas Richter, P.E.

Apache Corporation

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Apache Corporation (Apache) requests an exception to Statewide Rule 32 to flare gas from wells on its Augusta Barrow Lease in the Spraberry (Trend Area), Ector County, Texas. The application was not protested. The examiners recommend that Apache be granted an exception to flare up to 750 MCFGPD from wells on its Augusta Barrow Lease from August 01, 2015 through August 01, 2017.

#### DISCUSSION OF THE EVIDENCE

Apache's 6,259 acre Augusta Barrow Lease in Ector County, Texas, produces oil and casinghead gas from seven fields: Spraberry (Trend Area), Barrow (Ellenburger), Headlee (Bend), Headlee, N. (Devonian), Headlee, N. (Canyon), Cowden, North and Hence (Grayburg). Most of the production is from the Spraberry (Trend Area) Field.

Apache has completed 34 wells in the Spraberry (Trend Area) Field on this lease in 2015 and is planning on drilling another nine wells. These wells are currently producing about 920 BOPD and 178 MCFD each. Apache continues to aggressively develop the lease, completing about one well a month. Nine additional wells have so far been permitted in the Spraberry (Trend Area) Field on the lease.

There are eleven wells completed in the other six fields, All eleven are producing wells. Apache holds surface commingling permits for oil and gas produced from all seven fields. In July 2015 the Spraberry (Trend Area) Field produced 13,900BO and 21,539 MCFG; the other six fields combined produced 1,032 BO and 450 MCFG. Apache is planning on further developing the Sprayberry.

Gas gathering and sales options in the area are severely limited by infrastructure capacity issues that affect Apache and all operators. 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 MCFD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, Final order No. 08-0287405 authorized Apache to flare 500 MCFD in any proportion from the three tank battery flare points on the lease. This permit was effective from March 01, 2014 through August 01, 2015. Apache is now requesting continued authority to flare gas from the lease at a volume of 750 MCFD for two years from August 1, 2015 through August 01,2017.

DCP Midstream was the casinghead gas gatherer, however, DCP has informed Apache that DCP can no longer take casinghead gas from them. Apache has entered into an agreement with Canyon Midstream Services (Canyon) to gather its casinghead gas and Canyon has installed a new pipeline system with a compressor booster to the Apache Tank Battery #3. Canyons gas plant and gathering system currently has issues that require gas gathering systems to be shut downs or acceptance limitations, as do all gas gatherers in the area. Because of periodic pipeline curtailments or shutdowns it is necessary for operators to occasionally flare gas. Apache provided evidence to substantiate its continuing need to flare gas.

In 2014 Apache sold about 40 percent of the gas produced on the lease and flared the remaining 60 percent. There are three tank battery and separation facilities on the lease. The flaring and gas sales points are located at the three tank battery and separation facilities. All flaring occurs from these tank battery and separation facilities. The lease is bisected by U.S. Highway 385 a divided 4-lane highway which runs north-south. Tank Battery No. 2 is on the west side of the highway and Tank Battery No's. 1 and 3 are on the east side of the highway. The highway poses a logistical problem for pipeline connection and gas sales. Tank battery No. 2 on the west side of the highway is approximately three

miles from TB No.1 and gas sales from TB No.2 are very limited so most gas gathered there is flared. Casinghead gas production into TB #2 is insufficient to make the installation of gas transfer pipeline to the TB's 1 & 3 economical. To connect TB# 2 to the tank batteries on the east side of the highway Apache or Canyon would have to tunnel under the highway.

All of the gas producers in the area are suffering from similar capacity limitations. Therefore, Apache requests an extension of its authority to flare the 750 MCFG from wells on the Augusta Barrow Lease for two years from August 1, 2015 through August 01, 2017. The examiners recommend that the application be approved.

### **FINDINGS OF FACT**

1. Proper notice of this hearing was given to all offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. Apache produces oil and casinghead gas from seven fields on its 6,259 acre Augusta Barrow Lease in Ector County.
  - a. Apache is aggressively developing hydrocarbon resources on the lease, especially in the Spraberry (Trend Area) Field.
  - b. Apache is completing about one well per month on the lease.
3. Canyon Midstream Services is the gas gatherer for Apache in the area.
  - a. Apache sells gas to Canyon at three tank batteries on the lease.
  - b. Capacity and upset conditions require Apache to flare about 15-20% percent of the gas produced.
4. Apache obtained a Final Order No. 08-0287405, which authorized Apache to flare 500 MCFD from March 01, 2014 through August 01, 2015.
5. Apache requests an extension of its authority to flare the 750 MCFG from wells on the Augusta Barrow Lease for two years from August 1, 2015 through August 01, 2017.
6. Due to the rapid development and drilling activity in the area, Canyon's gathering system has periodical curtailments and shutdowns.

7. As a result, Apache and other operators in the area are facing limitations due to system capacity and upset conditions
8. Apache anticipates a need to flare gas until August 1, 2017.
9. An exception to Statewide Rule 32 to flare up to 750 MCFD from the Augusta Barrow Lease for two years from August 1, 2015 through August 01, 2017., is appropriate.

**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 gas from the subject leases will not harm correlative rights and will promote development of the field.

**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 lease, as requested by Apache.

Respectfully submitted,



Richard Eyster, P.G.  
Technical Examiner



John Dodson  
Hearings Examiner