



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0297974

THE APPLICATION OF VENADO OIL & GAS LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BLACKJACK RANCH UNIT, WELL NO. 1H, SOUTHERN BAY (EAGLEFORD) FIELD, LEE COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

HEARING DATE: October 13, 2015

CONFERENCE DATE: December 8, 2015

APPEARANCES:

David Gross
Brenda Wise

REPRESENTING:

Venado Oil & Gas LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Venado Oil & Gas LLC (Venado) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) for its Blackjack Ranch Unit Well No. 1H in the Southern Bay (Eagleford) Field, Lee County, Texas. Venado seeks authority to flare 100 thousand cubic feet (mcf) of casinghead gas per day for a period of one year. The application was not protested. The Examiners recommend Venado be granted the requested authority.

DISCUSSION OF EVIDENCE

Venado's Blackjack Ranch Unit Well No. 1H (API No. 42-287-32622) was completed in the Southern Bay (Eagleford) Field on October 22, 2014. The horizontal well was completed to a total vertical depth of 7,001 feet and a total measured depth of 15,332 feet. On initial potential testing the well produced 442 barrels of oil, 256 mcf casinghead gas, and 1,414 barrels of water. In the one month time period prior to the hearing, the well produced, on average, about 330 barrels of oil per day, 60 mcf gas per day, and 130 barrels of water per day.

Venado stated a pipeline connection to sell the gas produced from this well was not available, and therefore it requested this exception to Statewide Rule 32. On October 24, 2014, Venado received administrative authority (permit no. 19640) to flare 400 mcf gas per day for a period of 90 days, from October 20, 2014, to January 19, 2015. This authority was extended for a second 90-day period, until April 20, 2015, at a reduced flare rate of 100 mcf gas per day. When the administrative flaring authority expired on April 20, 2015, Venado inadvertently failed to timely apply for a hearing to obtain a Commission final order to extend its flaring authority. Venado has timely sought exceptions to Statewide Rule 32 in at least 25 similar cases; the present matter appears to have been an oversight.

On August 17, 2015, Venado requested a hearing to re-instate the flaring authority. At the hearing and through late-filed exhibits requested by the Examiners, Venado demonstrated that pipeline sales options were not economically viable for this well. The well is currently producing about 50 to 60 mcf gas per day. Venado requests one-year authority to flare up to 100 mcf gas per day from the well. Venado anticipates that within the one-year period the gas production will decline to less than 50 mcf gas per day, at which time a permanent exception to Statewide Rule 32 could be obtained administratively.

The Examiners informed Venado that Statewide Rule 32 requires operators to make requests to extend flaring authority 21 days prior to the expiration of the existing authorization. Therefore, the Examiners recommend that Venado be granted one year authority to flare up to 100 mcf gas per day from the subject well beginning on August 17, 2015, the date on which Venado requested a hearing on the matter.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. Venado's Blackjack Ranch Unit Well No. 1H (API No. 42-287-32622) was completed in the Southern Bay (Eagleford) Field on October 22, 2014.
3. On initial potential testing the well produced 442 barrels of oil, 256 mcf casinghead gas, and 1,414 barrels of water.
4. In the one month time period prior to the hearing, the well produced, on average, about 330 barrels of oil per day, 60 mcf gas per day, and 130 barrels of water per day.
5. Because a pipeline connection to sell casinghead gas was not available, Venado obtained an exception to Statewide Rule 32 to flare gas from October 20, 2014 to April 20, 2015.

6. On August 17, 2015, Venado requested a hearing to re-instate the flaring authority.
7. Pipeline gas sales options are not economically viable for this well.
8. The well is currently producing about 50 to 60 mcf gas per day.
9. An exception to Statewide Rule 32 will enable Venado to continue to produce oil from the well, preventing waste of oil and protecting its correlative rights.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. An exception to Statewide Rule 32 will enable Venado to continue to produce oil from the well, preventing waste of oil and protecting its correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Venado Oil & Gas LLC authority to flare up to 100 mcf casinghead gas per day from August 17, 2015 through August 16, 2016, for the Blackjack Ranch Unit Well No. 1.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Hearings Examiner