



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0299256

THE APPLICATION OF PIONEER NATURAL RESOURCES USA, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE UNIVERSITY 12-16H TB VENTED GAS METER, SPRABERRY (TREND AREA) FIELD, REAGAN COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: March 10, 2016

CONFERENCE DATE: March 29, 2016

APPEARANCES:

George Neale
Don Burris
Becky Lackey

REPRESENTING:

Pioneer Natural Resources USA, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Pioneer Natural Resources USA, Inc. ("Pioneer") seeks an exception to vent casinghead gas produced from its University 12-9 Lease (No. 16437) at its University 12-16H TB Vented Gas Meter, in the Spraberry (Trend Area) Field in Reagan County, Texas. Pioneer provided the Commission with a list of operators of wells in the Spraberry (Trend Area) Field adjacent to the lease for which this exception was requested. The Commission notified those operators of the hearing and afforded them an opportunity to protest. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the exception be granted as requested by Pioneer.

DISCUSSION OF EVIDENCE

Mr. Don Burris, Pioneer's project supervisor for downstream planning, testified on behalf of Pioneer. In his role at Pioneer, Mr. Burris is responsible for the disposition of gas produced from the subject lease. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission.

Pioneer seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)...if the operator of a well or production facility presents information to show the necessity for the release. Necessity for the release includes, but is not limited to the following:

(D) For casinghead gas only, the unavailability of a gas pipeline or other marketing facility, or other purposes and uses authorized by law.

Titled "Exceptions," Statewide Rule 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

The casinghead gas subject to this application is produced from Pioneer's University 12-9 Lease, Well Nos. 4H and 5H. These wells currently combine to produce an average of 137 thousand cubic feet (MCF) gas per day. The gas produced from these wells contains oxygen at concentrations up to 1,735 parts per million (ppm), exceeding the WTG gas pipeline sales contractual specifications (0 ppm). Therefore, Pioneer has obtained administrative permits to vent gas from these two wells. Permit No. 23040 was originally issued effective on July 1, 2015, and authorized Pioneer to vent 125 MCF gas per day from the tank battery. The permit has been extended for a total of 180 days and expired on December 29, 2015. On December 18, 2015 Pioneer requested a hearing to extend the authority to vent gas for a period of two years.

Pioneer has constructed a gas pipeline connecting the tank battery to the nearest sales point, a WTG pipeline located about four miles to the northeast. In addition, Pioneer treats the gas at the wellhead to reduce the oxygen concentration. As of March 8, 2016, Pioneer has sent its treated gas into the pipeline. However, the oxygen concentration (7.8 ppm) exceeds the contractual sales specification. While WTG is accepting Pioneer's gas at this time, Pioneer is concerned that it may be forced to disconnect at some point in the future. Therefore, Pioneer seeks authority to vent gas from the subject tank battery for a period of two years, beginning on December 30, 2015. Mr. Burris stated that the tank battery was located in a remote area and the casinghead gas could be safely vented.

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. Pioneer's University 12-9 Lease, Well Nos. 4H and 5H produce an average of 137 MCF casinghead gas per day.
3. The gas produced from these wells contains oxygen at concentrations up to 1,735 ppm.
4. Pioneer's contract with WTG requires the gas to contain no oxygen (i.e., 0 ppm).
5. Pioneer treats the gas to reduce the oxygen concentration to 7.8 ppm.
6. The wells are connected to the WTG sales point by a four-mile long pipeline.
7. Pioneer has obtained an administrative permit (no. 23040) to vent gas from these two wells at the University 12-16H Tank Battery.
 - a. Permit No. 23040 was originally issued effective on July 1, 2015.
 - b. Permit No. 23040 authorized Pioneer to vent 125 MCF gas per day from the tank battery.
 - c. The permit has been extended for a total of 180 days and expired on December 29, 2015.
 - d. On December 18, 2015 Pioneer requested a hearing to extend the authority to vent gas for a period of two years.
8. WTG is currently accepting Pioneer's gas at an oxygen concentration of 7.8 ppm.
9. Authority to vent gas will enable Pioneer to continue to produce oil from the University 12-9 Lease Well Nos. 4H and 5H.

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. Pioneer has met the requirements in 3 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding Pioneer's requested authority to vent up to 150 MCF casinghead gas produced from its University 12-9 Lease (No. 16437) at its University 12-16H TB Vented Gas Meter, in the

Spraberry (Trend Area) Field in Reagan County, Texas, through December 29, 2017.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Pioneer Natural Resources USA, Inc. to vent up to 150 MCF casinghead gas produced from its University 12-9 Lease (No. 16437) at its University 12-16H TB Vented Gas Meter, in the Spraberry (Trend Area) Field in Reagan County, Texas, through December 29, 2017,

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer Cook
Administrative Law Judge