



## RAILROAD COMMISSION OF TEXAS

### HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0299065

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THE APPLICATION OF DEVON ENERGY PRODUCTION CO., L.P. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BENNETT BB2 - 6 LEASE, WELL NO. 1H, LIN (WOLFCAMP) FIELD, CROCKETT COUNTY, TEXAS

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HEARD BY: Peggy A. Laird, P.G. – Technical Examiner  
Ryan Larson - Administrative Law Judge

HEARING DATE: February 5, 2016

CONFERENCE DATE: March 29, 2016

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

John Soule  
Brian Blood

Devon Energy Production Co., L.P.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Devon Energy Production Co., L.P. ("Devon") requests a two year exception to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) to flare a maximum of one hundred (100) thousand cubic feet of casinghead gas per day (MCFD) from the Bennett BB2 - 6 Lease (the "Lease"), Well No. 1H in the Lin (Wolfcamp) Field, Crockett 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 an exception to Statewide Rule 32 to flare 100 MCFD casinghead gas for a period of two years as requested by Devon.

**DISCUSSION OF THE EVIDENCE**

Title 16, §3.32 of the Texas Administrative Code ("TAC") governs this Application as it relates to the utilization of gas well gas and casinghead gas produced by oil and gas

wells under the jurisdiction of the Railroad Commission. Specifically, 16 TAC §3.32(h) provides that an exception to flare casinghead gas in volumes greater than 50 MCFD may be granted administratively for a period up to 180 days. Flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, Devon is requesting an exception to flare casinghead gas produced from the subject lease as provided by Statewide Rule 32(h).

Devon received a permit to flare 50 MCFD ( Final Order 7C-0295885) for the Lease, effective September 1, 2015, expiring August 20, 2016. Because of operational improvements to the well, the rate of production has increased since obtaining the flare permit resulting in a need to flare more than 50 MCFD. Devon conducted a five-year production estimate from 2016 through 2020, and determined the need to flare more than 50 MCFD would most likely occur during the first two years, with a general decline over the five years to less than 50MCFD. Devon is requesting a two-year extension of the exception to Statewide Rule 32 effective December 1, 2015, to December 1, 2017.

The Lease is located about 3,000 feet from a pipeline owned by WTG to which Devon would like to connect. Devon calculated the connection cost would be \$279,000. Devon performed an economic analysis for the Lease based on their projected five-year production estimate. The cumulative net cash flow before tax would be \$186,751, which results in a loss of \$92,249. Therefore, Devon considers constructing a pipeline to connect the Lease to WTG to be uneconomical based on current market conditions.

#### **FINDINGS OF FACT**

1. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. There were no protests to the application.
2. The Bennett BB2 - 6 Lease, Well No. 1H is located in the Lin (Wolfcamp) Field, Crockett County, Texas.
3. DEVON was authorized by Final Order 7C-0295885 to flare gas from the Bennett BB2 - 6 Lease, effective September 1, 2015, expiring August 20, 2016.
4. The rate of production has increased since obtaining the flare permit resulting in a need to flare more than 50 MCFD.
5. DEVON determined that current market conditions deem it uneconomical to construct a pipeline from the Bennett BB2 - 6 Lease to connect to WTG.

**CONCLUSIONS OF LAW**

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32
3. The requested exception to flare 100 MCFD casinghead gas meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

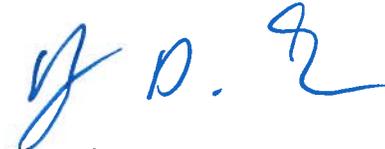
**EXAMINERS' RECOMMENDATION**

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 wells, as requested by Devon Energy Production Co., L.P.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Ryan Larson  
Administrative Law Judge