



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL & GAS DOCKET NO. 08-0300686**

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**THE APPLICATION OF MATADOR PRODUCTION COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32 TO FLARE GAS FROM THE JACKSON TRUST TB, JACKSON TRUST C 12-TTT-C24 NL LEASE, COMMINGLE PERMIT NUMBER 7418, MCGILLICUTTY (BRUSHY CANYON), SANDBAR (BONE SPRING), TWO GEORGES (BONE SPRING) AND PHANTOM (WOLFCAMP) FIELDS, LOVING COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Ryan Lammert – Administrative Law Judge

**HEARING DATE:** July 21, 2016

**RECORD CLOSED:** August 8, 2016

**CONFERENCE DATE:** September 27, 2016

**APPEARANCES:**

D. David McGinnis  
Glenn Stetson  
Dana Arnold  
Bryan Erman

Matador Production Company

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Matador Production Company ("Matador") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas produced from its Jackson Trust C12-TTT-C24 NL Lease (No. 47144) at the Jackson Trust Tank Battery ("TB"). The four wells produce from four different Commission-designated fields, and two of the wells produce sour gas. Matador demonstrated that it is not economically feasible to sweeten the gas and that there are no geographically viable sour gas connections. Therefore, Matador seeks an exception to flare 1,400 thousand cubic feet (mcf) of gas for a period of two years. The application was not protested. The Administrative Law Judge and Technical Examiner (collectively, "Examiners") recommend Matador's application be granted.

### DISCUSSION OF THE EVIDENCE

Matador has completed and is producing four wells on the Jackson Trust Lease. The wells produced from four different fields:

- Well No. 211H produces from the Phantom (Wolfcamp) Field (Lease No. 08-47144).
- Well No. 021H produces from the McGillicutty (Brush Canyon) Field (completion pending, Drilling Permit no. 806771).
- Well No. 101 H produces from the Sandbar (Bone Spring) Field (completion pending, Drilling Permit no. 808271).
- Well No. 121H produces from the Two Georges (Bone Spring) Field (completion pending, Drilling Permit no. 806771).

Hydrocarbons produced from the four wells are commingled at the surface under Permit No. 08-7418. The two wells producing from the Sandbar (Bone Spring) and Two Georges (Bone Spring) Fields both produce sour gas with hydrogen sulfide concentrations of 2,000 to 2,500 parts per million. In addition, these wells produce more than 6 percent carbon dioxide. The hydrogen sulfide and carbon dioxide concentrations exceed the pipeline specifications. Matador's options, therefore, are to treat the gas to pipeline specifications, construct a pipeline to connect to a sour gas system, flare the gas, or shut-in the wells.

Matador received administrative flaring authority (Permit No. 26993) to flare varying amounts of gas from the Jackson Trust TB as follows:

- 1,130 mcf per day for 45 days, from December 18, 2015 through January 31, 2016;
- 1,576 mcf per day for 45 days, from February 1, 2016 through March 16, 2016;
- 1,307 mcf per day for 45 days, from March 17, 2016 through April 30, 2016; and
- 2,000 mcf per day for 45 days, from May 1, 2016 through June 14, 2016.

On May 20, 2016, Matador requested a hearing to obtain continued flaring authority through a Final Order issued by the Commission.

Matador testified that the cost to build a sour gas pipeline to the nearest sales point, 7 miles to the east, would cost about \$4 million including right-of-way and construction costs. To build treatment capabilities at the Jackson Trust Lease facility would require a capital expenditure of \$1.5 million and would yield negative decreasing cash flows. Therefore, Matador does not consider gas treatment to be an economically viable solution.

On August 8, 2016, Matador filed a letter with the Commission requesting the Examiners take judicial notice of five additional drilling permits it has received for wells on the Jackson Trust Lease to be completed in the Sandbar (Bone Spring) and Two Georges (Bone Spring) Fields. The Examiners have taken judicial notice of those drilling permits. The Examiners also note that Matador did not offer into evidence any well completion reports or individual-well

hydrocarbon production data for the four subject wells, nor does the record include the field rules for the four producing fields.

Matador seeks authority to flare 1.4 million cubic feet (mmcf) of gas per day from the commingled production for a period of two years. This authority will allow Matador to continue to produce hydrocarbon liquids from the wells and to continue development of the oil resources.

### **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 the hearing.
2. Matador has completed and is producing four wells on the Jackson Trust Lease:
  - a. Well No. 211H produces from the Phantom (Wolfcamp) Field (Lease No. 08-47144).
  - b. Well No. 021H produces from the McGillicutty (Brush Canyon) Field (completion pending, Drilling Permit no. 806771).
  - c. Well No. 101 H produces from the Sandbar (Bone Spring) Field (completion pending, Drilling Permit no. 808271).
  - d. Well No. 121H produces from the Two Georges (Bone Spring) Field (completion pending, Drilling Permit no. 806771).
  - e. Matador has permitted five more wells on the Jackson Trust Lease.
3. Hydrocarbons produced from the four wells are commingled at the surface under Permit No. 08-7418.
4. The two wells producing from the Sandbar (Bone Spring) and Two Georges (Bone Spring) Fields both produce sour gas with hydrogen sulfide concentrations of 2,000 to 2,500 parts per million, and these two wells produce more than 6 percent carbon dioxide.
5. The hydrogen sulfide and carbon dioxide concentrations exceed the pipeline specifications.
6. Matador received administrative flaring authority (Permit No. 26993) to flare varying amounts of gas from the Jackson Trust TB as follows:
  - a. 1,130 mcf per day for 45 days, from December 18, 2015 through January 31, 2016;
  - b. 1,576 mcf per day for 45 days, from February 1, 2016 through March 16, 2016;

- c. 1,307 mcf per day for 45 days, from March 17, 2016 through April 30, 2016; and
  - d. 2,000 mcf per day for 45 days, from May 1, 2016 through June 14, 2016.
7. Sour gas treatment or pipeline construction are not economically viable solutions:
- a. The cost to build a sour gas pipeline to the nearest sales point, 7 miles to the east, would cost about \$4 million including right-of-way and construction costs.
  - b. The cost to build treatment capabilities at the Jackson Trust Lease facility would require a capital expenditure of \$1.5 million and would yield negative decreasing cash flows.
8. An exception to Statewide Rule 32 will allow Matador to continue to produce hydrocarbon liquids from the wells and to continue development of the oil resources.

### 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 §§ 1.43 and 1.45.
3. Matador has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding the requested authority to flare gas produced from the Jackson Trust Lease wells.

### EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Matador Production Company for an exception to Statewide Rule 32 to flare 1.4 mmcf gas from the Jackson Trust TB from June 15, 2016 through June 14, 2018.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Ryan Lammert  
Administrative Law Judge