



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0297771

THE APPLICATION OF BHP BILLITON PET (TXLA OP) CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, REEVES AND LOVING COUNTIES, TEXAS

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HEARD BY: Peggy Laird, P.G. – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

SUBMITTED BY: Peggy Laird, P.G. – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

HEARING DATE: November 6, 2015
CONFERENCE DATE: September 27, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Davin McGinnis
Tim Smith

BHP Billiton Pet (TXLA OP) Co.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

BHP Billiton Pet (TXLA OP) Co. ("BHP") requests an exception to Statewide Rule 32 to flare casinghead gas at nineteen flare points from wells completed on twenty leases. The casinghead gas is produced from wells completed in the Phantom (Wolfcamp) Field in Reeves and Loving Counties, Texas. Notice was provided to offset operators in the field surrounding the flare points and no protests were received. The applications are unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide 32 to flare casinghead gas for each of the three applications.

DISCUSSION OF THE EVIDENCE

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 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. For each of the subject applications, BHP has been granted permits to flare casinghead gas that will be expiring. BHP is requesting an exception to Statewide 32 to flare casinghead gas for an additional period of time for each application.

The volumes of casinghead gas produced with liquids from horizontal wells completed in the Phantom (Wolfcamp) Field in Reeves and Loving Counties has strained the capacity of pipelines in the area. The pace of development and production has outpaced the development and expansion of midstream gathering systems in the area. All lease facilities in each of the three applications are connected to sales lines. When system upsets or pipeline capacity constraints occur the only options available to the operator are to shut-in wells or flare casinghead gas. Operators are concerned that the reservoir may be harmed due to stress-cycling effects on the proppant pack in the fractures if producing wells are required to be shut-in. Stress-cycling may crush proppant which may create fines, resulting in fines migration, leading to the plugging of pore throats and reducing the effective conductivity of the proppant pack. Therefore, in order to continue producing liquids from these wells, BHP is requesting an exception to Statewide Rule 32.

BHP reported their marketing, land, and engineering groups are developing solutions to minimize flaring and maximize gas sales and/or use. Western Gas Partners (formerly Delaware Basin Midstream) and Energy Transfer Partners (formerly Regency Field Services, LLC) are midstream providers BHP utilizes, and both are currently

working to expand processing capacity and infrastructure. This action is expected to help alleviate the need for flaring in the area.

On August 12, 2015, the Commission received a hearing request for an exception to Statewide Rule 32 for fifteen flare points in these three applications. On August 17, 2015, the Commission received a request to add two additional flare points each to Docket Nos. 08-0297772 and 08-0297773. This request was granted in the hearing. Subsequent to the hearing, notice was given to all affected operators and no protests were received.

BHP is requesting an eighteen (18) month exception to Statewide Rule 32, with effective dates as shown in the tables below. The maximum monthly flare volume requested for each flare point was estimated by multiplying the maximum monthly production from March 2015 through August 2015 by the maximum percentage of gas flared in any given month during this same six-month period. The location of the flare points and maximum monthly requested volumes for each application are summarized in Tables 1 - 3. Some of the flare points accommodate more than one well, and that is noted in the tables.

Table 1: Oil and Gas Docket No. Docket 08-0297771: Statewide Rule 32 Exception Summary

Previous SWR-32 Permit No.	Plant/Lease Name of Flare Point Location	Well No.	Maximum Flare Volume Requested (MCF/month)	Effective Date	Expiration Date
23179	Bold Blake State 57-T2-2	1H	2,000	09/23/2015	03/23/2017
21924	Bold Johnson 56-T1-30	1H & 2H shared flare	15,200	09/22/2015	03/22/2017
23181	Bold Johnson 56-T1-34	1H & 2H shared flare	127,100	09/23/2015	03/23/2017
22338	Johnson Estate 56-T1-8	1H	55,850	09/14/2015	03/14/2017
22337	Mocap 56-T1-25	1H & 2H shared flare	73,050	09/27/2015	03/27/2017
22340	Olyphant 57-T1-43X42	1H	56,900	09/08/2015	03/08/2017

Table 2: Oil and Gas Docket No. Docket 08-0297772: Statewide Rule 32 Exception Summary

Previous SWR-32 Permit No.	Plant/Lease Name of Flare Point Location	Well No.	Maximum Flare Volume Requested (MCF/month)	Effective Date	Expiration Date
22339	KC Premium 56-T2-48	1H	31,300	09/10/2015	03/10/2017
23169	Mitchell 56-T3-26	1H	53,050	10/29/2015	04/29/2017
23173	State Apache 56-T3-12	1H	46,600	09/19/2015	03/19/2017
22097	State Barlow 57-T2-47X2 (Various)	1H & 2H shared flare	83,900	09/26/2015	03/26/2017
22341	State Roy Kimsey 56-T2-46	1H	31,250	09/04/2015	03/04/2017

Table 3: Oil and Gas Docket No. Docket 08-0297773: Statewide Rule 32 Exception Summary

Previous SWR-32 Permit No.	Plant/Lease Name of Flare Point Location	Well No.	Maximum Flare Volume Requested (MCF/month)	Effective Date	Expiration Date
21687	Hudson 0-66X67	1H	89,900	09/17/2015	03/17/2017
23180	Olson State 57-T2-6 (volume est. based on 2014 volume data)	1H	5,100	09/18/2015	03/18/2017
21686	Rio Pierce Family 57-T2-45	1H	60,900	09/09/2015	03/09/2017
23167	State Allar 57-T2-28	1H & 2H shared flare	36,500	09/16/2015	03/16/2017
22838	State Camp 56-T2-14X11	1H	56,300	09/26/2015	03/26/2017
22823	State Dela 58-T2-38	1H	55,100	09/22/2015	03/22/2017
23175	State James 57-T2-42	1H	93,250	09/14/2015	03/14/2017
22819	State Rush 57-T2-18	1H	39,350	09/12/2015	03/12/2017

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing. There were no protests to the applications.
2. BHP is requesting to flare casinghead gas produced from wells completed in the Phantom (Wolfcamp) Field in Reeves and Loving Counties, Texas.
3. All of the subject leases in each of the applications are connected to a sales line.
4. BHP is requesting an exception to Statewide Rule 32 to flare casinghead gas when all gas cannot go to sales.
5. The Commission received a hearing request for an exception to Statewide Rule 32 on August 12, 2015.
6. Midstream providers in the area are currently working to expand capacity.
7. BHP is requesting an eighteen (18) month exception to Statewide Rule 32, generally from September 2015 to March 2017.

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 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 each flare point for the dates and for the maximum monthly volumes listed in Tables 1 – 3, as requested by BHP Billiton Pet (TXLA OP) Co.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Jennifer N. Cook
Administrative Law Judge

