



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0300802

THE APPLICATION OF NEW GULF RESOURCES, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE JOHNSON TRUST A LEASE, WELL NO. 1H, AGUILA VADO (EAGLEFORD) FIELD, GRIMES COUNTY, TEXAS.

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Dana Avant Lewis – Administrative Law Judge

HEARING DATE: July 26, 2016

CONFERENCE DATE: September 12, 2016

APPEARANCES:	REPRESENTING:
APPLICANT: John Camp Tim Smith	New Gulf Resources, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Administrative Law Judge and the Technical Examiner, (collectively the "Examiners") note that New Gulf Resources filed for Chapter 11 bankruptcy in December 2015, and emerged from bankruptcy on May 13, 2016 as ETX Energy LLC, (ETX). The final orders for this docket will show ETX as the new operator. ETX seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) for the authority to flare casinghead gas from its Johnson Trust A Lease, Well No. 1H, Aguila Vado (Eagleford) Field, Grimes County, Texas.

All offset operators in the subject field were notified of the hearing. ETX is requesting authority to flare a volume of 100 MCFD for a period of eighteen months.

The application is not protested. The Examiners recommend that the application be approved.

DISCUSSION OF THE EVIDENCE

16 TAC §3.32(h) provides that an exception to flare casinghead gas in volumes greater than 50 MCFGD may be granted administratively for a period up to 180 days. Furthermore, flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Statewide Rule 32 contains no notice of application requirements.

ETX obtained a Final Order, No. 05-0296233, for the Johnson Trust A Lease, Well No. 1H. The 1H Well was permitted to flare 180 MCFD of casinghead gas, from 04/15/2015 through 03/31/2016. On February 16, 2016, ETX requested a hearing to obtain an exception by Final Order.

ETX is requesting to flare casinghead gas from Johnson Trusts A, Well No. 1H, for 18 months from 04/01/2016 to 09/01/2018, at a volume of 100 MCF/D in the Aguila Vado (Eagleford) Field, Grimes County, Texas. The well is located on a lease-block that spans roughly 9,500-acres. ETX argues that the necessity for its requested relief in the subject applications is that it would cost a minimum of \$ 2.6 million for ETX to build a gas pipeline from the wells to the nearest gas pipeline located approximately 2 miles to the northwest which is uneconomic at current oil and gas prices. Therefore, in order to continue producing liquids from the well ETX requests that it be granted an additional eighteen month flaring exception. ETX testified that the economics are not favorable at this time to build the necessary pipeline. Without a Final Order from the Commission authorizing the continued flaring of casinghead gas from the well until it is economical to connect the well to a pipeline, NGR stated they would have to shut in production from the wells, possibly resulting in waste of hydrocarbon reserves.

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.
2. ETX obtained a Final Order, No. 05-0296233, for the Johnson Trust A Lease, Well No. 1H. The 1H Well was permitted to flare 180 MCFD of casinghead gas, from 04/15/ 2015 through 03/31/2016.
3. On February 16, 2016, ETX requested a hearing to extend its flaring authority pursuant to Statewide Rule 32.
4. ETX is requesting an 18 month flare exception from 04/01/2016 through 09/01/2018, at a volume of 100 MCF/D.
5. The nearest pipeline connection is 2 miles from the well.

6. The cost of constructing 2 miles of pipeline is uneconomic at current gas prices.
8. ETX believes it does not have an economically feasible option for legal disposition of the flared gas at this time.
9. An exception to Statewide Rule 32 to flare casinghead gas will allow ETX to continue to produce from the Johnson Trust A No. 1H Well, Aguila Vado (Eagleford) Field, Grimes County, Texas.

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. The requested exception to flare 100 MCF/D casinghead gas for the subject well from 04/01/2016 to 09/01/2018, 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 Johnson Trust A No. 1H Well, as requested by ETX.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Dana Avant Lewis
Administrative Law Judge

