



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0302180

THE APPLICATION OF SHELL WESTERN E&P FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE NEELIE 1-85 LOV LEASE, SANDBAR (BONE SPRING) FIELD, LOVING COUNTY, TEXAS

OIL & GAS DOCKET NO. 08-0302181

THE APPLICATION OF SHELL WESTERN E&P FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CROCKETT 1-37 WRD LEASE, PHANTOM (WOLFCAMP) FIELD, WARD COUNTY, TEXAS

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

HEARING DATE: December 19, 2016

CONFERENCE DATE: January 24, 2017

APPEARANCES:

Kelli Kenney
Daniel Marklin
Maureen Kovicic

REPRESENTING:

Shell Western E&P

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Shell Western E&P ("Shell") (Operator No. 774719) requests an exception to flare gas from its Neelie 1-85 LOV Lease ("Neelie") (48039) in the Sandbar (Bone Spring) Field in Loving County, Texas in Docket 08-0302180 and an exception to flare gas from its Crockett 1-37 WRD Lease ("Crockett") (42140) in the Phantom (Wolfcamp) Field in Ward County, Texas, Docket No. 08-0302181. Shell requests authority to flare casinghead gas up to 550 mcf per day from the Crockett 5H well, 500 mcf per day from the Crockett 6H well, and 1400 mcf per day from the Neelie lease. The gas produced from the Crockett and Neelie Leases does not currently have a sales pipeline, but a sales pipeline is being constructed. Therefore, Shell seeks authority to flare the gas until the

pipeline is completed. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Shell requests exceptions to flare gas from the Crockett Lease, Well Nos. 5H and 6H and Neelie Lease in the Phantom (Wolfcamp) Field and Sandbar (Bone Springs) Field, Ward and Loving Counties, Texas. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Shell 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...

Statewide Rule 32(h)(4) 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.

Because Shell requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address Shell's request for an exception is through a hearing resulting in a final order signed by the Commission.

Shell requests additional flare authority for two wells on its Crockett Lease and one well on its Neelie Lease. The Crockett 5H has produced between 3,279 to 7,293 barrels of oil per month and 5,869 to 13,941 mcf gas per month from May 2016 through October 2016. The Crockett 6H has produced between 1,296 to 4,294 barrels of oil per month and 3,215 to 10,188 mcf gas per month between April and May 2016. The Crockett 6H was shut-in and recently returned to production in December 2016. The Neelie lease produced 4,942 to 14,062 barrels of oil per month and 15,988 to 27,747 mcf of gas per month between July and November 2016.

Shell has obtained administrative authority (Permit Nos. 26862, 26861, & 813399) to flare gas from the leases. From July 20, 2016 through October 18, 2016 Shell was authorized to flare up to 1700 mcf per day and from October 19, 2016 through January 17, 2017, Shell was authorized to flare up to 1400 mcf gas per day on the Neelie Lease. From May 13, 2016 through August 11, 2016, Shell was authorized to flare up to 2000 mcf gas per day and 550 mcf per day from August 12, 2016 to November 10, 2016 for the Crockett 5H. Shell was authorized to flare 2000 mcf per day from May 6, 2016 to August 4, 2016 and 500 mcf per day from December 14, 2016 to March 14, 2017 for the Crockett 6H. On October 14, 2016, Shell requested a hearing to extend the flaring authority for the Crockett and Neelie Leases.

There is currently no pipeline to bring the gas produced from the Crockett 5H and 6H

and Neelie Leases to sales. However, Shell is currently negotiating with the surface owners to construct a pipeline in order to bring the gas to a sales receipt point.

Shell reports approximately \$12,000,000 of lost revenue over the next 18 months if the wells are shut-in for the Crockett Lease Wells 5H and 6H and roughly \$7,300,000 lost revenue over 18 months for the Neelie Lease. Shell is in the process of building pipelines to market the gas. Therefore, Shell requests authority to flare 550 mcf gas per day through November 10, 2017 for the Crockett 5H, 500 mcf per day through November 10, 2017 for the Crockett 6H, and 1400 mcf per day for the Neelie Lease through January 17, 2018. Authority to flare gas will allow Shell to continue to produce oil from the wells on the Neelie and Crockett Leases.

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. Shell seeks authority to flare gas from two wells on its Crockett Lease and one well on its Neelie Lease in the Phantom (Wolfcamp) and Sandbar (Bone Springs) Fields in Loving and Ward Counties, Texas.
3. The Crockett 5H has produced between 3,279 to 7,293 barrels of oil per month and 5,869 to 13,941 mcf gas per month from May to October 2016. The Crockett 6H has produced between 1,296 to 4,294 barrels of oil per month and 3,215 to 10,188 mcf gas per month between April and May 2016. The Crockett 6H was shut-in and recently returned to production in December 2016. The Neelie Lease produced 4,942 to 14,062 barrels of oil per month and 15,988 to 27,747 mcf of gas per month between July and November 2016.
4. Shell has obtained administrative authority (Permit Nos. 26862, 26861, & 813399) to flare gas from the leases.
 - a. From July 20, 2016 through October 18, 2016 Shell was authorized to flare up to 1700 mcf per day and from October 19, 2016 through January 17, 2017, Shell was authorized to flare up to 1400 mcf gas per day on the Neelie Lease.
 - b. From May 13, 2016 through August 11, 2016, Shell was authorized to flare up to 2000 mcf gas per day and 550 mcf per day from August 12, 2016 to November 10, 2016 for the Crockett 5H.
 - c. Shell was authorized to flare 2000 mcf per day from May 6, 2016 to August 4, 2016 and 500 mcf per day from December 14, 2016 to March 14, 2017 for the Crockett 6H.
5. Shell reports approximately \$12,000,000 of lost revenue over the next 18 months if the wells are shut-in for the Crockett Lease, Well Nos. 5H and 6H and roughly \$7,300,000 lost revenue over 18 months for the Neelie Lease.

6. Shell is in the process of constructing a pipeline to market the gas.
7. Shell requests authority to flare 550 mcf gas per day from November 10, 2016 through November 10, 2017 for the Crockett 1-37 WRD Lease, Well No. 5H, 500 mcf per day from March 15, 2017 through November 10, 2017 for the Crockett 1-37 WRD Lease, Well No. 6H, and 1400 mcf per day from January 18, 2017 through January 17, 2018 for the Neelie 1-85 LOV Lease.
8. Authority to flare gas will allow Shell to continue to produce oil from the wells on the Neelie and Crockett Leases.

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. Shell 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 wells connected to the subject flare points.

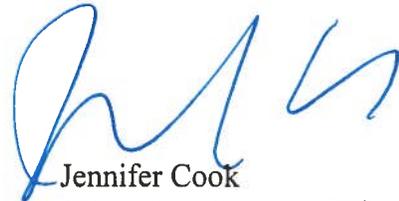
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Shell Western E&P to flare gas from the subject leases as requested.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer Cook
Administrative Law Judge