



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0303994

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**THE APPLICATION OF RKI EXPLORATION AND PRODUCTION, LLC TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PUMPER'S PARADISE 16-10 LEASE, WELL NOS. 2H & 3H, PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Clayton Hoover – Administrative Law Judge

**HEARING DATE:** July 18, 2017  
**RECORD CLOSED:** September 9, 2017  
**CONFERENCE DATE:** September 19, 2017

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:** RKI Exploration and Production, LLC

Bill Spencer  
Jim Clark

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

RKI Exploration and Production, LLC (RKI) requests exceptions to Statewide Rule 32 through December 31, 2017 for the Pumper's Paradise 16-10 Lease, Well Nos. 2H & 3H, Phantom (Wolfcamp) Field, Reeves County, Texas. Notice of the application was provided to all offset operators to the Pumper's Paradise 16-10 Lease. The applications are unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide Rule 32 for the Pumper's Paradise 16-10 Lease, Well No. 2H and the Pumper's Paradise 16-10 Lease, Well No 3H as requested by RKI.

#### 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(j) *Opportunity for hearing* states that an operator may request a hearing on any application for an exception, or exception renewal required by this section. On March 3, 2017, the Commission received a hearing request for an exception to Statewide Rule 32 for the Pumper's Paradise 16-10 #2H. A hearing on the application was originally scheduled for May 15, 2017. On May 1, 2017, the Commission received a request to postpone the hearing until July 2017. A hearing on the application for an exception to Statewide Rule 32 for the Pumpers Paradise 16-10 2H was held on July 18, 2017. In addition to requesting an exception to Statewide Rule 32 for the Pumpers Paradise 16-10 2H, at the hearing, RKI also requested an exception to Statewide Rule 32 for the Pumpers Paradise 16-10 3H. The Pumpers Paradise 16-10 3H has a current exception to Statewide Rule 32 that is set to expire on August 20, 2017. An amended notice of application for an exception to Statewide Rule 32 for both the Pumpers Paradise 16-10 Well Nos. 2H & 3H was provided to all offset operators to the Pumper's Paradise 16-10 Lease on August 30, 2017. No protests were received.

### ***Pumpers Paradise 16-10 2H***

The Pumpers Paradise 16-10 2H was initially completed on September 24, 2016, at which time only one stage of the horizontal lateral was hydraulically fracture stimulated. The well was produced from a single stage from September 2016 through January 2017. The well did not produce from February to May 2017. RKI hydraulically fracture stimulated four additional stages in April 2017, but encountered wellbore issues. Remedial repairs were conducted and RKI resumed the stimulation treatments on June 5, 2017. RKI had originally set a hearing for May 15, 2017 to consider an exception to Statewide Rule 32. The hearing was postponed until July 18, 2017 since the Pumpers Paradise 16-10 2H was shut-in and the gas production rate following final completion of the well with the additional frac stages was unknown at that time. With all frac stages producing, the peak casinghead gas rate was 4,111 Mcfd.

RKI was granted a flaring permit for the Pumpers Paradise 16-10 2H (Permit No. 27878), to flare a maximum of 838 Mcfd of casinghead gas, effective September 19, 2016 to March 19, 2017. No gas gathering line was available when this well was initially completed. Construction of a gas gathering line was completed and first sales to Delaware Basin Midstream (DBM) occurred on June 20, 2017. The well is currently selling gas whenever DBM will accept the gas. Intermittent operational problems on the gathering end (compression/sweetening) are expected to cause the need for intermittent flaring through mid-September 2017. As a result of these intermittent operational interruptions, RKI is requesting authorization to flare up to 3,500 Mcfd through December 31, 2017 for the Pumpers Paradise 16-10 2H.

### ***Pumpers Paradise 16-10 3H***

RKI was granted a flaring permit for the Pumpers Paradise 16-10 3H (Permit No. 30125), to flare a maximum of 7,000 Mcfd of casinghead gas effective April 5, 2017 to August 20, 2017. No gas gathering line was available when the well was initially

completed. Construction of the gas gathering line was completed and first sales went to DBM on July 2, 2017. Intermittent problems with the compression and sweetening of the gas has resulted in the need to flare casinghead gas in June 2017. These problems have continued into July, and a total of 3,419 Mcf were flared in the month of July (as of July 11, 2017). Gas produced from the well is currently being sold whenever the gatherer will accept the gas. Operational problems on the gathering end (compression and sweetening), are expected to result in the need for intermittent flaring through mid-September. RKI is requesting authorization to flare a total of 3,500 Mcfd from this well through December 31, 2017.

RKI agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

### **FINDINGS OF FACT**

1. Proper notice of this application and opportunity for hearing was provided to all offset operators to the Pumpers Paradise 16-10 Lease. There were no protests to the application.
2. RKI is requesting authorization to flare up to 3,500 Mcfd through December 31, 2017 for each of the Pumpers Paradise 16-10 2H, and the Pumpers Paradise 16-10 3H wells.
3. RKI was granted a flaring permit for the Pumpers Paradise 16-10 2H (Permit No. 27878), to flare a maximum of 838 Mcfd of casinghead gas effective September 19, 2016 to March 19, 2017.
  - a. No gas gathering line was available when this well was initially completed.
  - b. Construction of a gas gathering line was completed and first sales to Delaware Basin Midstream (DBM) occurred on June 20, 2017.
  - c. The well did not produce from February to May 2017.
  - d. RKI hydraulically fracture stimulated four additional stages in April 2017, but encountered wellbore issues. Remedial repairs were conducted and RKI resumed the stimulation treatments on June 5, 2017.
  - e. RKI had originally set a hearing for May 15, 2017 to consider an exception to Statewide Rule 32. The hearing was postponed until July 18, 2017 since the Pumpers Paradise 16-10 2H was shut-in and

- the gas production rate following the final completion of the well with the additional frac stages was unknown at that time.
- f. With all frac stages producing, the peak casinghead gas rate was 4,111 Mcfd following final completion.
  - g. The well is currently selling gas whenever DBM will accept the gas. Intermittent operational problems on the gathering end (compression/sweetening) are expected to result in the need for intermittent flaring.
4. RKI was granted a flaring permit for the Pumpers Paradise 16-10 3H (Permit No. 30125), to flare a maximum of 7,000 Mcfd of casinghead gas effective April 5, 2017 to August 20, 2017.
- a. No gas gathering line was available when the well was initially completed.
  - b. Construction of the gas gathering line was completed and first sales went to to DBM on July 2, 2017.
  - c. Intermittent problems with the compression and sweetening of the gas has resulted in the need to flare casinghead gas in June 2017. These problems have continued into July and a total of 3,419 Mcf were flared in the month of July as of July 11<sup>th</sup>.
  - d. Gas produced from the well is currently being sold whenever the gatherer will accept the gas. Intermittent operational problems on the gathering end (compression/sweetening) are expected to result in the need for intermittent flaring.
5. RKI agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

#### **CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on September 19, 2017.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant RKI an exception to Statewide Rule 32 to flare up to 3,500 Mcfd through December 31, 2017 for each of the Pumpers Paradise 16-10 2H and the Pumpers Paradise 16-10 3H.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Clayton Hoover  
Administrative Law Judge