



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 02-0305963

THE APPLICATION OF GULFTEX ENERGY IV, LP FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.32 FOR THE MADELON BATTERY, WELL NO. 1H, SUGARKANE (AUSTIN CHALK) FIELD, KARNES COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

PREPARED BY: Paul Dubois – Technical Examiner

HEARING DATE: September 29, 2017

CONFERENCE DATE: December 5, 2017

APPEARANCES:

APPLICANT:

Tom Weber
John McBeath

REPRESENTING:

Gulftex Energy IV, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32 (Statewide Rule 32), Gulftex Energy IV, LP ("Gulftex") seeks an exception to flare casinghead gas from the Madelon Battery, Well No. 1H, in the Sugarkane (Austin Chalk) Field, Karnes County, Texas. Gulftex seeks authority to flare up to 250 thousand cubic feet ("mcf") of casinghead gas per day for a period of two years. The application was not protested. The technical examiner and administrative law judge ("Examiners") recommend the exception be granted.

Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Gulftex 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 GulfTex requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address GulfTex's request for an exception is through a hearing resulting in a final order signed by the Commission.

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. The Madelon Lease Well No. 1H (API No. 42-255-35222) was completed on February 6, 2017.
3. On initial potential testing the well produced 112 barrels of oil and 211 mcf gas for a gas-oil ratio of 1,833 standard cubic feet per barrel. The well also produced 1,304 barrels of water.
4. Gas production is variable, ranging from nearly 600 mcf gas per day in February to about 100 mcf gas per day in September.
5. GulfTex received Commission authority (Permit No. 28950) to flare 500 mcf casinghead gas from the Madelon Unit from February 11, 2017 to August 12, 2017, a period of 180 days.
6. On July 19, 2017, GulfTex requested a hearing to extend the flaring authority.
7. The monthly compressor rental cost exceeds the value of gas produced.
8. The cost to build a pipeline to bring the gas to market is estimated to be \$544,500.
9. The project is not economic based on operating costs, without consideration of the cost to build a pipeline.
10. Authority to flare 250 mcf gas per day for a period of two years will allow GulfTex to continue to produce hydrocarbon fluids from the lease.

11. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

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 §§1.41 and 1.42.
3. The requested authority to flare casinghead gas satisfies the requirements of Title 16, Texas Administrative Code 3.32(h).
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 December 5, 2017.

EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the application of Gulftex Energy IV, LP to flare up to 250 thousand cubic feet ("mcf") of casinghead gas per day for a period of two years from the Madelon Battery, Well No. 1H, in the Sugarkane (Austin Chalk) Field, Karnes County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer N. Cook
Administrative Law Judge