



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. NO. 08-0307141

THE APPLICATION OF RKI EXPLORATION & PRODUCTION, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES IN THE FORD, WEST (WOLFCAMP) FIELD AND PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: December 7, 2017

APPEARANCES:

REPRESENTING:

Applicant

Bill G. Spencer
Jim M. Clark, P.E.

RKI Exploration & Production

REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

RKI Exploration & Production ("RKI") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from three leases, all in Reeves County, with one lease in the Ford West (Wolfcamp) Field and two leases in the Phantom (Wolfcamp) Field. RKI's administrative permits to flare casinghead gas from the designated lease flare points expired in mid-November 2017, therefore RKI is seeking a two-year authorization from the Commission to continue flaring gas from November 15, 2017 to November 15, 2019. The requested authorization from the Commission is to address non-routine periods of intermittent variations in pipeline pressure and insufficient compression capacity. The application is not protested; the Technical Examiner and the Administrative Law Judge (collectively the "Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

On October 3, 2017, RKI ("Applicant") requested a hearing to extend the flaring authority under Statewide Rule 32 to flare casinghead gas from flare points associated with the Sarge 17 Lease, Well No. 1H; the Louis State 24 Lease, Well Nos. 24-1H & 2H; and, Fiver State 18 Lease, Well No. 18-2H. A Notice of Hearing was issued by the Commission on October 27, 2017 to adjacent operators and the hearing was held on December 7, 2017.

Sarge 17 Lease, Well No. 1H

RKI received administrative authority through Permit No. 29909 to flare a maximum volume of 1,200 thousand cubic feet per day (mcf) of casinghead gas from the Sarge Well 17-1H flare point in the Ford West (Wolfcamp) Field in Reeves County, Texas (Exhibit No. 1). The Commission granted authority from May 17, 2017 through August 15, 2017, for a period of 90 days (Exhibit 1). On July 31, 2017, the authority was extended by the Permit for another 90 days, which expired on November 14, 2017 (Exhibit No. 1).

RKI requests authority to flare up to 1,000 mcf of gas from the Sarge Well 17-1H flare point for a period of two years from November 15, 2017 to November 15, 2019 (Exhibit Nos. 2, 7 and 8). Most of the revenue generated from the wells is from hydrocarbon liquid production (Exhibit 4). The lease wells are connected to oil and gas sales pipelines. Most of the produced gas is sold, but intermittent variations in pipeline pressure and insufficient compression capacity have resulted in the need to occasionally flare gas (Exhibit No. 8).

Louis State 24 Lease, Well Nos. 24-1H & 2H

RKI received administrative authority through Permit No. 31369 to flare a maximum of 500 mcf of casinghead gas from the Louis Wells 24-1H & 24-2H flare point in the Phantom (Wolfcamp) Field, in Reeves County, Texas (Exhibit No. 1). The Commission granted the authority from March 10, 2017 through November 15, 2017, for a period of 180 days (Exhibit 1).

RKI requests authority to flare up to 2,800 mcf of gas from the Louis Wells 24-1H & 24-2H flare points (Exhibits Nos. 7 and 8) for a period of two years from November 15, 2017 to November 15, 2019 (Exhibit Nos. 2, 7 and 8). Most of the revenue generated from the wells are from hydrocarbon liquid production (Exhibit 5). The lease wells are connected to oil and gas sales pipelines. Most of the produced gas is sold, but historically six percent of total gas production has been flared from these two wells: 24-1H & 2H. To address the flaring of six percent of total volume of gas, RKI has installed additional compression on these wells to reduce gas overproduction based on historic trends (Exhibit No. 5). The requests flaring volume for these two wells are in case of compression failure on one or

both wells; or intermittent variations in pipeline pressure that result in the need to flare gas (Exhibit No. 8).

Fiver State 18 Lease, Well No. 18-2H

RKI received administrative authority through Permit No. 29997 to flare a maximum of 2,000 mcf of casinghead gas from the Fiver Well 18-2H flare point in the Phantom (Wolfcamp) Field, in Reeves County, Texas (Exhibit No. 1). The Commission granted this authority from May 23, 2017 through August 21, 2017, for a period of 90 days (Exhibit 1). On August 7, 2017, the authority was extended by the Permit for another 90 days, which expired on November 20, 2017 (Exhibit No.1).

RKI requests authority to flare up to 1,400 mcf of gas from the Fiver Well 18-2H flare point (Exhibits Nos. 7 and 8) for a period of two years from November 15, 2017 to November 15, 2019 (Exhibit Nos. 2, 7 and 8). Most of the revenue generated from the wells are from hydrocarbon liquid production (Exhibit 6). The lease wells are connected to oil and gas sales pipelines. Most of the produced gas is sold, but intermittent variations in pipeline pressure have resulted in the need to occasionally flare gas (Exhibit No. 8).

Mac State 20 Lease, Well No. 20-2H

Part of the hearing record is a fourth lease identified as the Mac State 20 Lease, Well No. 20-2H, which was originally included in the October 3, 2017 request for hearing and discussed briefly in the December 7, 2017 hearing (O&G Docket 08-0307141). It was determined that the Mac State 20 Lease, Well No. 20-2H, was addressed in the October 30, 2017 hearing and included in the Final Order for O&G Docket No. 08-0306761 that went to Commission conference on December 5, 2017 (Exhibit A). Therefore, the Mac State 20 Lease, Well No. 20-2H, was briefly addressed in the December 7, 2017 hearing, but unnecessary to include in the final recommendations.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice. There were no protests to the applications.
2. RKI received administrative authority through Permits (Nos. 29909; 31369; 29997) to flare casinghead gas associated with the Sarge 17 Lease, Well No. 1H flare point; the Louis State 24 Lease, Well Nos. 24-1H & 2H flare point; and, the Fiver State 18 Lease, Well No. 18-2H flare point. All three permits expired in mid-November 2017.
3. RKI applied for a hearing to extend the flaring authority more than 21 days before the administrative permits expired.
4. Intermittent variations in pipeline pressure and/or insufficient compression capacity result in the need to occasionally flare casinghead gas.

5. In the hearing, RKI requests to flare casinghead gas produced from the following lease wells:
 - a. Sarge 17 Lease, Well No. 1H in the Ford West (Wolfcamp) Field, Reeves County, Texas;
 - b. Louis State 24 Lease, Well Nos. 24-1H & 2H in the Phantom (Wolfcamp) Field, in Reeves County, Texas; and,
 - c. Fiver State 18 Lease, Well No. 18-2H in the Phantom (Wolfcamp) Field, in Reeves County, Texas.
6. RKI is requesting to flare casinghead gas for two years starting on November 15, 2017 to November 15, 2019. RKI is seeking authority to flare up to:
 - a. 1,000 mcf of gas from the Sarge 17 Lease, Well No. 1H flare point;
 - b. 2,800 mcf of gas from the Louis State 24 Lease, Well Nos. 24-1H & 2H flare point; and,
 - c. 1,400 mcf of gas from the Fiver State 18 Lease, Well No. 18-2H flare point.
7. Without a final order authorizing the flaring, RKI will have to shut the wells in, causing waste and possible harm to the reservoir.
8. At the hearing, a fourth lease identified as the Mac State 20 Lease, Well No. 20-2H, was originally included in the October 3, 2017 request for hearing under this Oil & Gas Docket (08-0307141). At the hearing held on December 7, 2017, for this docket, the Applicant indicated all issues for the Mac State 20 Lease were addressed in the October 30, 2017 hearing summarized in Final Order for O&G Docket No. 08-0306761. Therefore, no actions are pending for the Mac State 20 Lease under this Oil & Gas Docket (08-0307141).
9. At the hearing held on December 7, 2017, the Applicant agreed on the record that the 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 §§ 1.43 and 1.45.
3. RKI 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 casinghead gas produced from the wells in the three leases.

4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the Applicant, the Final Order is effective when a Master Order relating to the Final Order is signed by the Commission.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of RKI to flare up to 1,000 mcf of gas from the Sarge 17 Lease, Well No. 1H flare point; 2,800 mcf of gas from the Louis State 24 Lease, Well Nos. 24-1H & 2H flare point; and, 1,400 mcf of gas from the Fiver State 18 Lease, Well No. 18-2H flare point from November 15, 2017 to November 15, 2019.

Respectfully submitted,



Robert Musick, P. G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge