



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0311675

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THE APPLICATION OF MATADOR PRODUCTION COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32 TO FLARE GAS FROM THE JACKSON TRUST TB, JACKSON TRUST C 12-TTT-C24 NL LEASE, COMMINGLE PERMIT NUMBER 7418, MCGILLCUTTY (BRUSHY CANYON), SANDBAR (BONE SPRING), TWO GEORGES (BONE SPRING) AND PHANTOM (WOLFCAMP) FIELDS, LOVING COUNTY, TEXAS

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HEARD BY: Richard Eyster, P.G. – Technical Examiner  
Lynn Latombe – Administrative Law Judge

HEARING DATE: September 12, 2018

CONFERENCE DATE: October 16, 2018

### APPEARANCES:

D. David McGinnis  
Glenn Stetson  
Kristin Welch

Matador Production Company

## EXAMINERS' REPORT AND RECOMMENDATION

### STATEMENT OF THE CASE

Matador Production Company ("Matador") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas produced from its Jackson Trust C12-TTT-C24 NL Lease (No. 47144) at the Jackson Trust Tank Battery ("TB"). The four wells produce from four different Commission-designated fields, and two of the wells produce sour gas. Matador demonstrated that it is not economically feasible to sweeten the gas and that there are no geographically viable sour gas connections. Therefore, Matador seeks an exception to flare 2,500 mcf/day of gas for a period of two years. The application was not protested. The Administrative Law Judge and Technical Examiner (collectively, "Examiners") recommend Matador's application be granted.

### **DISCUSSION OF THE EVIDENCE**

Matador has completed and is producing four wells on the Jackson Trust Lease and is planning to drill additional wells on the lease.

The current four wells are produced from four different fields:

- Well No. 211H produces from the Phantom (Wolfcamp) Field
- Well No. 021H produces from the McGillicutty (Brush Canyon) Field
- Well No. 101 H produces from the Sandbar (Bone Spring) Field
- Well No. 121H produces from the Two Georges (Bone Spring) Field

Hydrocarbons produced from the four wells are commingled at the surface under Permit No. 08-7418. The two wells producing from the Sandbar (Bone Spring) and Two Georges (Bone Spring) Fields both produce sour gas with hydrogen sulfide concentrations of 2,000 to 2,500 parts per million. In addition, these wells produce more than 6 percent carbon dioxide. The hydrogen sulfide and carbon dioxide concentrations exceed the pipeline specifications. Matador's options, therefore, are to treat the gas to pipeline specifications, construct a pipeline to connect to a sour gas system, flare the gas, or shut-in the wells.

Matador received a final order ( 08-0300686) on September 27, 2016 authorizing the flaring of 1,400 mcf/d from June 15, 2016 to June 14, 2018.

On May 21, 2018, Matador requested a hearing to obtain continued flaring authority through a Final Order issued by the Commission for a period of two years..

Matador testified that the cost to build a 16,000 feet sour gas pipeline to the nearest sales point would cost about \$608,000 including right-of-way and construction costs. To build treatment capabilities at the Jackson Trust Lease facility would require additional capital expenditure of \$1,300,500 and would yield negative decreasing cash flows. Therefore, Matador does not consider gas treatment to be an economically viable solution. Additionally Matador is experiencing pipeline curtailments.

Matador seeks authority to flare 2,500 mcf/d of gas per day from the commingled production for a period of two years from June 15, 2018 to June 14, 2020. This authority will allow Matador to continue to produce hydrocarbon liquids from the wells and to continue development of the oil resources.

### **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. Matador has completed and is producing four wells on the Jackson Trust Lease:
  - a. Well No. 211H produces from the Phantom (Wolfcamp) Field (Lease No. 08-47144).
  - b. Well No. 021H produces from the McGillicutty (Brush Canyon) Field
  - c. Well No. 101 H produces from the Sandbar (Bone Spring) Field
  - d. Well No. 121H produces from the Two Georges (Bone Spring) Field
  - e. Matador has permitted additional wells on the Jackson Trust Lease.
3. Hydrocarbons produced from the four wells are commingled at the surface under Permit No. 08-7418.
4. The two wells producing from the Sandbar (Bone Spring) and Two Georges (Bone Spring) Fields both produce sour gas with hydrogen sulfide concentrations of 2,000 to 2,500 parts per million, and these two wells produce more than 6 percent carbon dioxide.
5. The hydrogen sulfide and carbon dioxide concentrations exceed the pipeline specifications.
6. Matador is also experiencing pipeline curtailments.
7. Sour gas treatment or pipeline construction are currently not economically viable solutions.
8. Matador received a final order ( 08-0300686) on September 27, 2016 authorizing the flaring of 1,400 mcf/d from June 15, 2016 to June 14, 2018.
9. Matador seeks authority to flare 2,500 mcf/d of gas per day from the commingled production for a period of two years from June 15, 2018 to June 14, 2020.
10. An exception to Statewide Rule 32 will allow Matador to continue to produce hydrocarbon liquids from the wells and to continue development of the oil resources.

### **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. Matador 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 Jackson Trust Lease wells.

**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 Matador Production Company for an exception to Statewide Rule 32 to flare 2,500 mcf/d gas from the Jackson Trust TB from June 15, 2018 through June 14, 2020.

Respectfully submitted,

  
Richard Eyster, P.G.  
Technical Examiner

  
Lynn Latombe  
Administrative Law Judge