



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0316549

APPLICATION OF XTO ENERGY, INC. (945936) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LLOYD. C.E. -A- (13199) LEASE, HENDERSON (RUSK CO. PETTIT) FIELD, RUSK COUNTY, TEXAS

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

HEARING DATE: February 5, 2019

CONFERENCE DATE: March 26, 2019

APPEARANCES:	REPRESENTING:
Rick Johnston, Consultant	XTO Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

XTO Energy, Inc. ("XTO") seeks a Statewide Rule 32 exception to extend the term and increase the flare volume previously authorized by Permit No. 23420 for the Lloyd, C.E. -A- (13199) Lease, Henderson (Rusk Co, Pettit) Field, Rusk County, Texas. XTO requests that the termination of the existing flare authority be extended from February 2, 2020 to June 1, 2020, and that the maximum flare volume of casinghead gas be increased from 55 thousand cubic feet per day ("MCFD") to 200 MCFD. Notice of the present docket hearing was sent to all operators identified on the Commission's November 2018 proration schedule for the Henderson (Rusk Co, Pettit) Field. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

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(h) provides that an exception to flare natural gas in volumes greater than 50 MCFD may be granted administratively for a period up to 180 days. 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. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

XTO admitted into evidence the Examiner's Report and Recommendation ("ERR") and the Final Order dated April 24, 2018 relating to Docket 06-0308942. The Order granted XTO authority to flare up to 55 MCFD of casinghead gas (Permit No. 23420) from February 5, 2018 through February 4, 2020. Cited as a Finding of Fact within the ERR was reference to Commission Order (Docket 06-0299470) wherein XTO had previously obtained an exception to flare casinghead gas from February 5, 2016 through February 4, 2018. Both Commission Orders for Exceptions to Rule 32 relate to the Lloyd, C.E. -A- (13199) Lease, Henderson (Rusk Co, Pettit) Field, Rusk County, Texas.

- XTO presented a production graph of the Lease indicating the following:
- A well count of two producing wells;
- Declining oil production (approximately 650 barrels per month ("bblm") in early 2017 declining to approximately 250 bblm in late 2018);
- Increasing casinghead gas production (approximately 1,400 MCF per month in early 2017 increasing to approximately 2,000 MCF per month in late 2018);
- Increasing Gas-Oil Ratio based on monthly production values (approximately 2000:1 in early 2017 increasing to approximately 8,000:1 in late 2018).

XTO's testimony indicates that the conditions supporting the previous requests for an exception to Rule 32 and the previous Commission's Orders granting authority to flare casinghead gas produced from the Lease have not changed and the cost to construct pipeline facilities to bring the casinghead gas from the Lease to market is uneconomical.

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

FINDINGS OF FACT

1. Proper notice of this hearing was provided to all operators identified on the Commission's November 2018 proration schedule for the Henderson (Rusk Co, Pettit) Field within at least 10 days prior to the hearing and no protests were received.
2. XTO seeks a Statewide Rule 32 exception to flare casinghead gas associated with the Lloyd, C.E. -A- (13199) Lease, Henderson (Rusk Co, Pettit) Field, Rusk County, Texas.

3. XTO has been granted previous Rule 32 exceptions to flare casinghead gas from the Lloyd, C.E. -A- (13199) Lease, Henderson (Rusk Co, Pettit) Field flare point:
 - a. Commission Order (Docket 06-0299470) authorizing the flaring of casinghead gas from February 5, 2016 through February 4, 2018; and
 - b. Commission Order (Docket 06-0308942) authorizing the flaring of 55 MCFD of casinghead gas (Permit No. 23420) from February 5, 2018 through February 4, 2020.
4. Casinghead gas production from the Lease has increased beyond the flare limit of 55 MCFD authorized in the effective Permit No. 23420, thereby requiring XTO to request a Rule 32 exception hearing to consider increasing the maximum flare volume to 200 MCFD.
5. Conditions supporting the previous requests for an exception to Rule 32 and the previous Commission's Orders granting authority for XTO to flare casinghead gas produced from the Lloyd, C.E. -A- (13199) Lease, Henderson (Rusk Co, Pettit) Field, Rusk County, Texas have not changed and the cost to construct pipeline facilities to bring the casinghead gas from the Lease to market is uneconomical.
6. XTO agreed that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and 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 final and effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 for the flare point servicing the Lloyd, C.E. -A- (13199) Lease, Henderson (Rusk Co, Pettit) Field, Rusk County, Texas, to flare a maximum of 200 MCFD of casinghead gas for a period of two years (June 2, 2018, to June 1, 2020) as requested by XTO.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge