



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0317574

APPLICATION OF E R OPERATING COMPANY (238075) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE GOOGINS 249 LEASE, SABLE (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

HEARD BY: John L. Moore – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: March 21, 2019
RECORD CLOSE DATE: April 3, 2019
CONFERENCE DATE: April 23, 2019

APPEARANCES: **REPRESENTING:**

APPLICANT:

Thomas "Buddy" Richter, P.E. E R Operating Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

E R Operating Company ("E R") seeks a two-year Statewide Rule 32 ("SWR 32") exception authority for the Googins 249 (70606) Lease ("Lease"), Well 1-H, Sable (San Andres) Field, to flare a maximum of 100 thousand cubic feet per day ("Mcf/d") of casinghead gas from the date of the Final Order; i.e. April 23, 2019 to April 23, 2021. E R was previously granted a two-year SWR 32 exception authority in Final Order No. 8A-0302012 to flare a maximum of 135 Mcfd of casinghead gas produced from the Lease. Targa Midstream Services ("Targa"), the only gas gatherer in the area, has indicated to E R that it cannot accept and treat the casinghead gas produced from the Lease. E R testified it is economically unfeasible for it to construct and operate a gas gathering and treating system to service the Lease given the small volume of produced casinghead gas.

E R's alternative to flaring the casinghead gas is to shut-in the Lease and cease future development activities to recover hydrocarbons from the Lease.

Proper notice was provided to the offset operators and the application is unopposed. The presiding Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend approval of a SWR 32 exception authority for the Googins 249 (70606) Lease, Well 1-H, Sable (San Andres) Field, to flare a maximum of 100 Mcfd of casinghead gas from April 23, 2019 to April 23, 2021, as requested by E R.

DISCUSSION OF THE EVIDENCE

SWR 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, SWR 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. SWR 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, SWR 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

E R has previously received administrative SWR 32 exception authority for the Googins 249, Well 1-H, followed by a two-year SWR 32 exception authority granted in Final Order 8A-0302012, (see Attachment B). E R is unable to sell the casinghead gas and seeks SWR 32 exception authority to flare a maximum of 100 Mcfd of casinghead gas for a period of two years from April 23, 2019 to April,23, 2021, (see Attachment A). E R's request for hearing in this docket was received by the Commission on January 14, 2019.

The Lease is located approximately 4.3 miles from the Targa gas gathering line. Targa is the only gas gatherer in the area. Targa has informed E R that the current volume of gas produced from the subject Lease is uneconomical for the installation of a gathering line, which would have to also include compression and H₂S treatment. A gas analysis performed on December 15, 2016, shows the H₂S concentration of gas produced from the subject well to be 16,026 ppm.

E R analyzed the financial feasibility of constructing it's own pipeline to Targa's gas gathering system. E R calculated that it would take eight years of gas sales at current production rates to justify the capital investment in the gas handling, treatment and transportation facilities. E R has determined that gas reinjection is not a viable alternative to flaring, as the horsepower needed to run an engine for gas reinjection currently exceeds the volume of gas produced. E R has permitted additional wells and it is expected that produced casinghead gas from the new wells will use a central flare stack on the Lease under the requested SWR 32 exception authority.

E R's expert witness testified that without the requested SWR 32 exception authority the producing well on the Lease would be shut-in and future development activities to recover hydrocarbons would cease.

E R agreed on the record, 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 hearing was given to the offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. E R was previously granted SWR 32 exception authority for the Googins 249 (70606) Lease, Well 1-H, administratively.
3. E R was previously granted a two-year SWR 32 exception authority for the Lease in Final Order No. 8A-0302012 to flare a maximum of 135 Mcfd of casinghead gas ending February 13, 2019.
4. E R seeks an additional two-year Statewide Rule 32 exception authority for the Googins 249 Lease, Sable (San Andres) Field to flare a maximum of 100 Mcfd of casinghead gas effective the date the Final Order is signed; i.e. April 23, 2019 to April 23, 2021.
5. Targa is the only gas gatherer in the area.
6. The subject well is located approximately 4.3 miles from the nearest Targa gathering line, and a pipeline path of 4.3 miles would require right-of-way along section boundaries.
7. Targa has informed E R that the current volume of gas produced from the subject well is uneconomical for the installation of a gathering line, which would have to include compression. Targa also informed E R that the gas processing plant is unable to take any additional gas that contains H₂S.
8. A gas analysis performed on December 15, 2016 shows the H₂S concentration of gas produced from the subject well to be 16,026 ppm.
9. E R has determined that gas reinjection is not a viable alternative to flaring, as the horsepower needed to run an engine for gas reinjection exceeds the volume of gas produced.

10. E R will be required to shut-in production on the Lease if the request for SWR 32 exception authority is not approved.
11. E R 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.

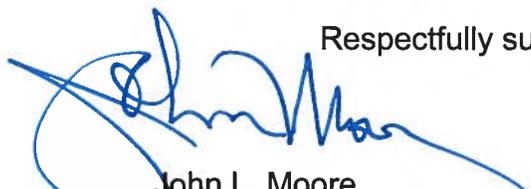
CONCLUSIONS OF LAW

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 on the record, this Final Order is 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 Statewide Rule 32 exception authority for the Googins 249 (70606) Lease, Well 1-H, Sable (San Andres) Field, to flare a maximum of 100 Mcfd of casinghead gas for a period of two years from the date the Final Order is signed; i.e. April 23, 2019 to April 23, 2021.

Respectfully submitted,


John L. Moore
Technical Examiner


Kristi M. Reeve
Administrative Law Judge

ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Flare Point Name	Permit Start Date	Permit End Date	Proposed Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas
24594	N/A	Googins 249 Tank Battery	April 23, 2019	April 23, 2021	100	Casinghead Gas

Note: Mcfd = Thousand Cubic Feet Per Day

ATTACHMENT B – ALL PREVIOUSLY APPROVED FLARE EXCEPTION AUTHORITY(IES)

Previous Flare Exception Permit No.	Commingle Permit No. (if applicable)	Flare Point Name	Previous Exception Authority Type (Admin. or Final Order No.)	Previous Permit End Date	Previous Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas
24594	N/A	Googins 2491H	Admin.	February 2, 2016	80	Casinghead Gas
24594	N/A	Googins 2491H	Final Order No. 8A-0302012	February 13, 2019	135	Casinghead Gas

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FINAL ORDER

The Commission finds that after statutory notice in the above-numbered docket heard on March 21, 2019 the presiding Technical Examiner and Administrative Law Judge (collectively "Examiners") have made and filed a report and recommendation containing findings of fact and conclusions of law ("Report"), for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the Report, and any exceptions and replies thereto, hereby adopts as its own the findings of fact and conclusions of law contained in the Report, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** that E R Operating Company (238076) is hereby granted a Statewide Rule 32 exception authority for the Googins 249 Lease (70606), Well 1-H, designated in the Sable (San Andres) Field, Yoakum County, Texas. E R Operating Company is authorized to flare up to 100 Mcf of casinghead gas per day from the Googins 249 (70606) Lease, Well 1-H, extending from April 23, 2019 to April 23, 2021, as reflected in Attachment A, attached and made a part hereof.

This authority is granted, provided all production is reported on the appropriate Commission forms. E R Operating Company shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the appropriate Commission required administrative Statewide Rule 32 Exception gas flaring fee for each flare point.

Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and by agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order is signed.**

Signed on April 23, 2019.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by Hearings Division's Master Order
dated April 23, 2019)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Flare Point Name	Permit Start Date	Permit End Date	Proposed Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas
24594	N/A	Googins 249 Tank Battery	23 April, 2019	23 April, 2021	100	Casinghead Gas

Note: *Mcf/d = Thousand Cubic Feet Per Day*