



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0284746

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THE APPLICATION OF EF ENERGY, L.L.C. FOR AN EXCEPTION TO STATEWIDE  
RULE 32 FOR THE SHEFFIELD RANCH A LEASE, WELL NO. 1H, WEINERT (BUDA)  
FIELD, WILSON COUNTY, TEXAS

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OIL AND GAS DOCKET NO. 01-0284747

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THE APPLICATION OF EF ENERGY, L.L.C. FOR AN EXCEPTION TO STATEWIDE  
RULE 32 FOR THE DAVIS RANCH LEASE, WELL NO. 1H, EAGLEVILLE (EAGLE  
FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

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HEARD BY: Richard D. Atkins, P.E. - Technical Examiner  
Marshall F. Enquist - Legal Examiner

DATE OF HEARING: October 30, 2013

APPEARANCES: REPRESENTING:

**APPLICANT:**

Kelli Kenney  
Robert E. Dreyling

EF Energy, L.L.C.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

EF Energy, L.L.C. ("EF") requests an exception to Statewide Rule 32 to flare casinghead gas from the Sheffield Ranch A and Davis Ranch Leases, Well No. 1H, Weinert (Buda) and Eagleville (Eagle Ford-1) Fields, Wilson and Atascosa Counties, Texas. Notice was provided to offset operators surrounding the above referenced leases and no protests were received.

The applications are unopposed and the examiners recommend approval of the exceptions to Statewide Rule 32 to flare casinghead gas from the subject wells from the date of the hearing through December 31, 2015, for the Sheffield Ranch A Lease, Well No. 1H, and through June 30, 2014, for the Davis Ranch Lease, Well No. 1H, as requested by EF.

### 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 MCFGPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. In the context of the subject applications, EF is requesting an exception to flare casinghead gas produced from the subject wells, as provided by Statewide Rule 32(h).

The areas of the Weinert (Buda) and Eagleville (Eagle Ford-1) Field lack existing oil and gas infra-structure for new gas production. Due to the explosive rapid rate of drilling by operators in the area, there is a severe shortage of equipment, supplies, manpower and services available to construct and complete gas gathering pipelines. EF completed the Sheffield Ranch A Lease, Well No. 1H, in September 2011 and the Davis Ranch Lease, Well No. 1H, in December 2012. Both wells have been flaring casinghead gas without an administratively granted flare permit.

To date, the Sheffield Ranch A Lease, Well No. 1H, has flared 41.8 MMCF of casinghead gas and the Davis Ranch Lease, Well No. 1H, has flared 29.9 MMCF of casinghead gas. Since the wells are currently in violation of Statewide Rule 32 for flaring gas without a permit, Commission policy is to only approve a gas flaring permit from the date of the hearing through the date requested by the operator. The examiners will notify Field Operations of the Statewide Rule 32 issues, so that Field Operations can determine if any enforcement action is appropriate.

For the Sheffield Ranch A Lease, Well No. 1H, the closest sour gas gathering pipeline in this area of Wilson County is owned by Energy Transfer Company. EF estimated that a gas gathering line would be 5.7 miles in length and cost \$1.5 million. The net gas revenue was calculated to be \$670,000, which would result in an operating loss of approximately \$812,000. EF calculated that the gas volume flared from the completion date through August 2013 only represented 1.1% of the total oil and gas well stream revenue. Since the gas gathering pipeline is uneconomic at this time, EF requests an exception to flare a maximum of 300 MCFPD of casinghead gas from the date of the hearing through December 31, 2015.

For the Davis Ranch Lease, Well No. 1H, the closest gas gathering pipeline in this area of Atascosa County is owned by Regency Field Services. The gas gathering line would be 2.1 miles in length and EF is exploring a possible joint construction and operation of gas gathering facilities with an offset operator, EP Energy. EF calculated that the gas volume flared from the completion date through August 2013 only represented 4.0% of the total oil and gas well stream revenue. Since EF believes that a joint gas gathering pipeline can be completed by mid-year 2014, EF requests an exception to flare a maximum of 100 MCFPD of casinghead gas from the date of the hearing through June 30, 2014.

#### FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten (10) days prior to the date of the hearing and no protests to the application were received.
2. The areas of the Weinert (Buda) and Eagleville (Eagle Ford-1) Field lack existing oil and gas infra-structure for new gas production.
  - a. Due to the explosive rapid rate of drilling by operators in the area, there is a severe shortage of equipment, supplies, manpower and services available to construct and complete gas gathering pipelines.
  - b. EF Energy, L.L.C. ("EF") completed the Sheffield Ranch A Lease, Well No. 1H, in September 2011 and the Davis Ranch Lease, Well No. 1H, in December 2012.
  - c. Both wells have been flaring casinghead gas without an administratively granted flare permit.
3. To date, the Sheffield Ranch A Lease, Well No. 1H, has flared 41.8 MMCF of casinghead gas and the Davis Ranch Lease, Well No. 1H, has flared 29.9 MMCF of casinghead gas.
  - a. Since the wells are currently in violation of Statewide Rule 32 for flaring gas without a permit, Commission policy is to only approve a gas flaring permit from the date of the hearing through the date requested by the operator.
  - b. Field Operations will be notified of the Statewide Rule 32 issues, so that Field Operations can determine if any enforcement action is appropriate.
4. An exception to Statewide Rule 32 from the date of the hearing for the subject wells to flare casinghead gas is appropriate.

5. For the Sheffield Ranch A Lease, Well No. 1H, the closest sour gas gathering pipeline in this area of Wilson County is owned by Energy Transfer Company.
  - a. EF estimated that a gas gathering line would be 5.7 miles in length and cost \$1.5 million.
  - b. The net gas revenue was calculated to be \$670,000, which would result in an operating loss of approximately \$812,000.
  - c. EF calculated that the gas volume flared from the completion date through August 2013 only represented 1.1% of the total oil and gas well stream revenue.
  - d. Since the gas gathering pipeline is uneconomic at this time, EF requests an exception to flare a maximum of 300 MCFPD of casinghead gas from the date of the hearing through December 31, 2015.
  
6. For the Davis Ranch Lease, Well No. 1H, the closest gas gathering pipeline in this area of Atascosa County is owned by Regency Field Services.
  - a. The gas gathering line would be 2.1 miles in length and EF is exploring a possible joint construction and operation of gas gathering facilities with an offset operator, EP Energy.
  - b. EF calculated that the gas volume flared from the completion date through August 2013 only represented 4.0% of the total oil and gas well stream revenue.
  - c. Since EF believes that a joint gas gathering pipeline can be completed by mid-year 2014, EF requests an exception to flare a maximum of 100 MCFPD of casinghead gas from the date of the hearing through June 30, 2014.

**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. Approval of the requested authority pursuant to Statewide Rule 32 will prevent waste, will not harm correlative rights and will promote development of the field.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve an exception to Statewide Rule 32 from the date of the hearing through December 31, 2015, for the Sheffield Ranch A Lease, Well No. 1H, and through June 30, 2014, for the Davis Ranch Lease, Well No. 1H, as requested by EF Energy, L.L.C.

Respectfully submitted,



Richard D. Atkins, P.E.  
Technical Examiner



Marshall F. Enquist  
Legal Examiner