



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0283004

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THE APPLICATION OF HALCON OPERATING CO., INC., FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR ITS JOHNSON TRUST A-1H, AGUILA VADO (EAGLEFORD) FIELD, GRIMES COUNTY, TEXAS

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HEARD BY: Paul Dubois – Technical Examiner  
Laura Miles-Valdez – Legal Examiner

HEARING DATE: December 4, 2013

APPEARANCES: REPRESENTING:

**APPLICANT:**

Bryan Lauer  
Donna Chandler, P.E.

Halcon Operating Co., Inc.

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Halcon Operating Co., Inc. (Halcon) requests a one-year exception to Statewide Rule 32 to flare gas from its Johnson Trust A-1H well in the Aguila Vado (Eagleford) Field in Grimes County, Texas. All offset operators in the field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject well, as requested by Halcon.

#### DISCUSSION OF THE EVIDENCE

The subject well in this application is completed in an active Eagle Ford Formation field in East-Central Texas, in an area that lacks existing oil and gas infrastructure for new production facilities, in particular gas gathering, processing, and transmission facilities. Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. In the subject

applications, Halcon is requesting to flare gas produced by the subject well, as provided in Statewide Rule 32(h), for a limited time until appropriate gas facilities and connections can be completed.

The Johnson Trust A 1H well is located about 4.9 miles southwest of the town of Iola, Texas. The horizontal well was completed on April 10, 2013. On initial potential testing the well produced 120 BO, 609 MCF gas and 528 BW. The gas to oil ratio was 5,075 SCF/Bbl. Two other wells on the lease to the east of the Johnson Trust A-1H well have been drilled and completed but are currently shut-in. Two other Halcon wells have been permitted to the west but have not yet been drilled.

The nearest natural gas pipeline is about 2.17 miles to the northwest. This pipeline, operated by ETC, currently has no additional capacity to accept gas from Halcon, and so it is not a candidate for disposition. The Copano Pipeline 3.24 miles to the north of the A 1H well is the nearest potential connection. The 3.24 mile distance is a straight-line measurement; it does not take into account the availability or acquisition of right-of-way permissions.

Currently, Halcon is re-evaluating its completion techniques for the wells on this lease to determine whether productivity can be improved to positively influence the economic feasibility of pipeline construction. Halcon currently estimates that a pipeline connection to the Copano pipeline 3.24 miles to the north will cost approximately \$3.1 million. The gas will also require compression, estimated to cost \$5,200 per month. Halcon estimates such a project will result in a loss of \$3.2 million over a 6-year period.

On April 26, 2013, Halcon obtained administrative permit no. 13329 to flare casinghead gas from the Johnson Trust A 1H well. The permit allowed for a maximum of 600 MCF/D from April 17, 2013 until October 14, 2013. Halcon now seeks a Commission Final Order to extend the permit to flare beyond the administrative limit of 180 days. Gas production in the well has declined and is currently at about 100 MCF/D. Halcon requests authority to flare 100 MCF/D of gas for one year, until October 15, 2014, while it continues to evaluate well completion methods and the economic feasibility of pipeline construction for this well and others in the area.

#### **FINDINGS OF FACT**

1. Proper notice of this hearing was given. For each well all offset operators in the appropriate field were notified at least ten days prior to the date of hearing. There were no protests to the application.
2. The Johnson Trust A 1H well is completed in the Aguila Vado (Eagleford) Field.

3. The Johnson Trust A 1H well produced 120 BO, 609 MCF gas and 528 BW. On initial potential in April 2013.
4. The development area has a lack of infrastructure, particularly for gas gathering, processing and transmission.
5. The nearest pipeline that can accommodate gas from the well is located 3.24 miles to the north.
6. Halcon estimates that constructing a 3.24 mile pipeline an associated compression facilities would result in a loss of \$3.2 million over six years.
7. Halcon continues to evaluate well completion methods and the economic feasibility of pipeline construction for this well and others in the area
6. Halcon applied for and was granted administrative approval to flare 600 MCF/D of casinghead gas from the well for 180 days, from April 17, 2013, to October 14, 2013.

#### **CONCLUSIONS OF LAW**

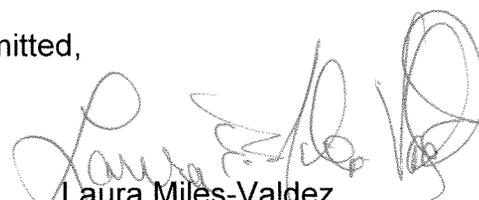
1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested exception to Statewide Rule 32 to flare 100 MCF/D casinghead gas for the subject well will not harm correlative rights.

#### **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 subject well, as requested by Halcon.

Respectfully submitted,

  
Paul Dubois  
Technical Examiner

  
Laura Miles-Valdez  
Legal Examiner