



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0289367

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THE APPLICATION OF ENERGEN RESOURCES FOR AN EXCEPTION TO STATEWIDE RULE 32 NORTH ROBERTSON UNIT LEASE N. ROBERTSON (CLEAR FORK 7100) FIELD GAINES COUNTY, TEXAS AND THE MILT YATER, MCNEW 28 AND MCNEW 28A LEASES SPRABERRY (TREND AREA) FIELD MARTIN COUNTY, TEXAS

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HEARD BY: Karl Caldwell – Technical Examiner  
Terry Johnson – Legal Examiner

DATE OF HEARING: June 27, 2014

**APPEARANCES:**

**APPLICANT:**

Kelli Kenney  
Callie Marsh

**REPRESENTING:**

Energen Resources

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Energen Resources ("Energen") requests an exception to Statewide Rule 32 to flare casinghead gas for the North Robertson Unit Lease, N. Robertson (Clear Fork 7100) Field, Gaines County, Texas and the Milt Yater, McNew 28 and 28A Leases, Spraberry (Trend Area) Field, Martin County, Texas. Notice was provided to offset operators surrounding the subject leases and no protests were received. The application is unopposed and the examiners recommend approval of the exception to Statewide 32 to flare casinghead gas from the subject leases.

#### 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 MCFPD 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 application, Energen is requesting an exception to flare casinghead gas produced from the subject leases as provided by Statewide Rule 32(h).

All of the subject leases in the application are committed to a gas sales agreement, and connected to a gas sales line. However, on occasion, due to capacity issues, all gas is unable to go to the gas sales line. Even though the infrastructure is in place, the pipelines and plants experience capacity issues.

Energen has applied for permits to flare for the maximum 180 days that may be administratively-granted for all wells on the subject leases. Energen is requesting additional flaring authority beyond 180 days as there is currently no time estimate as to when the capacity issues will be resolved.

The North Robertson Unit ("NRU") Lease (Lease ID No. 8A-69530) is approximately 5,633 acres and consists of 494 wells, both producing, and injection wells. All wells on the NRU Lease are committed and connected to the DCP Midstream Gas Gathering system gas sales line. Energen is requesting an exception to Statewide Rule 32 to flare casinghead gas intermittently due to high line pressures, as well as other DCP issues. There is a DCP Booster near the NRU Lease and when DCP experiences line pressure issues, DCP contacts Energen to shut in gas to sales lines to alleviate the line pressure issues. DCP also physically locks out valves so gas cannot physically be sent to the DCP gas gathering system. These issues occur on an intermittent basis, however, these lock outs tend to last more than 72 hours per month and daily casinghead gas volumes greater than 50 MCF per day.

The NRU Lease received Permit No. 14733, effective Nov. 1, 2013 expiring May 2, 2014 to flare a maximum of 500 MCF of casinghead gas for a total of 180 days. DCP, the gas gatherer that the gas sales line for the NRU Lease experiences high line pressure, and wells on the NRU Lease are intermittently shut in as a result of the high line pressure. Energen is requesting an exception to Statewide Rule 32 to flare a maximum of 700 MCF of casinghead gas per day, from the date the previously-granted flaring permit expires for a period of two years.

The Milt Yater Lease, (Lease ID No. 08-16504) contains a total of 7 wells. All gas from the lease is committed to DCP gas gathering system and all wells are connected to a gas sales line. The Milt Yater Lease is susceptible to lockout from DCP, and when locked out, Energen is unable to send gas to sales line. Energen estimates lost gas sales revenue of \$100,882.14 from August 2013 to March 2014 due to flaring of gas when the gas could not go to the gas sales lines due to DCP issues. Energen estimates the potential revenue loss from oil production would be \$4,000,000 if the wells

on the Milt Yater Lease were required to be shut in if Energen did not have an exception to Statewide Rule 32 to flare casinghead gas when all gas is unable to go to sales.

Energen received Flaring Permit No. 14871 for the Milt Yater Lease, granting flaring authority for a maximum of 199 MCF of casinghead gas per day, effective November 2, 2013, expiring March 3, 2014, for a total of 120 days. Energen has applied to extend the flaring permit for an additional 29 days, from March 3, 2014 to March 31, 2014. The permit extension is pending. The Milt Yater Lease has not flared gas since the end of March, but Energen is estimating that flaring will be necessary at some point in the future due to DCP line pressure and capacity issues. Energen is requesting to flare a maximum of 199 MCF per day of casinghead gas for a period of two years, commencing the date the previous flaring permit expires.

The McNew 28 and McNew 28A Leases have been granted a commingling permit (CP No. 08-6104) and all wells on the leases are committed to the WTG gas gathering system, and all wells are connected to a gas sales line. WTG is experiencing line pressure issues and capacity issues, and cannot physically accept any more gas when at full capacity. The only options during these times are to flare the casinghead gas or shut in the oil wells. The McNew 28 and McNew 28A Leases received Flare Permit No. No. 16298 for CP No. 08-6104 effective January 1, 2014 to April 1, 2014 to flare a maximum of 75 MCF per day of casinghead gas. The McNew 28 and McNew 28A Leases received Flare Permit No. No. 17430 for CP No. 08-6104 effective April 1, 2014 to April 30, 2014 to flare a maximum of 95 MCF per day of casinghead gas. WTG has not indicated when the line pressure and capacity issues may be resolved. Energen is requesting to flare a maximum of 155 MCF per day of casinghead gas for a period of two years, commencing the date the previous flare permit expires.

#### **FINDINGS OF FACT**

1. Proper notice of this hearing was given to offset operators surrounding the subject leases at least ten days prior to the date of hearing. There were no protests to the application.
2. Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
3. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing at least 21 days prior to the expiration of the existing exception.
4. Energen is requesting an exception to Statewide Rule 32 for the subject leases in this application pursuant to 16 TAC §§3.32(h).

**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. The requested authority to flare casinghead gas satisfies the requirements of Title 16, Texas Administrative Code 3.32(h).

**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 North Robertson Unit Lease, N. Robertson (Clear Fork 7100) Field, Gaines County, Texas and the Milt Yater, McNew 28 and 28A Leases, Spraberry (Trend Area) Field, Martin County, Texas, as requested by Energen Resources.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Terry Johnson  
Legal Examiner