



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0291838

THE APPLICATION OF FOREST OIL CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CARL SAMPLE LEASE, WELL NO. 1H, ROWELL-SPRINGS LEASE, WELL NO. 1H, AND THE LESTER-RICOCHET LEASE, WELL NO. 2-1H, SMILEY (AUSTIN CHALK) AND EAGLEVILLE (EAGLE FORD-1) FIELDS, GONZALES COUNTIES, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Terry Johnson – Hearings Examiner

HEARING DATE: October 7, 2014

CONFERENCE DATE: January 27, 2015

APPEARANCES:	REPRESENTING:
Paul Griesedieck	Forest Oil Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32, Forest Oil Corporation (Forest) is requesting an exception to flare gas from three wells in the Smiley (Austin Chalk) and Eagleville (Eagle Ford-1) Fields, Gonzales County, Texas. The application is not protested. The examiners recommend the exceptions be granted in accordance with the Applicant's request.

DISCUSSION OF EVIDENCE

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, Forest is requesting authority to flare gas produced by the three subject wells, as provided in Statewide Rule 32(h). The three wells were completed in early 2014, and each has been issued an administrative permit to flare gas for a period of 180 days. Forest now seeks to continue flaring authority for one year for each well. All

three wells are located in Gonzales County.

Rowell-Springs Lease Well No. 1H

The Rowell-Springs Lease (No. 17656) Well No. 1H (API No. 42-177-33068) was completed on February 27, 2014 in the Eagleville (Eagle Ford-1) Field. On initial potential testing the well produced 784 barrels of oil and 272 thousand cubic feet (MCF) gas. The well is currently producing about 250 barrels of oil per day and about 90 MCF gas. The well was assigned administrative flaring permit number 16276 on March 13, 2014. The permit has been extended for the maximum 180 days and expired on September 11, 2014. On August 15, 2014 Forest requested a hearing to extend the flaring authority.

The closest gas pipeline to the subject well is a 30-inch transmission line owned by Houston Pipeline (HPL) about one mile to the north. The HPL line has strict limitations on dewpoint and gas contaminants. Gas from the Rowell-Springs Well No. 1H contains a high dewpoint, hydrogen sulfide, carbon dioxide and nitrogen, all of which must either be reduced or removed. The process involves compressing the gas to high pressures and then flowing through an amine unit to remove the hydrogen sulfide and carbon dioxide. The gas then goes through a glycol dehydration unit to remove moisture. A Joules-Thompson unit is used to remove heavy components or natural gas liquids (NGLs), reducing the dewpoint. A nitrogen scavenging unit is required to remove nitrogen, then the gas must be compressed to allow entry into the transmission line.

Forest provided evidence demonstrating these gas processing facilities and a pipeline connection for the Rowell-Springs Well No. 1H would not be economical. Forest therefore seeks a one-year permit extension until September 12, 2015, to flare up to 120 MCF gas per day from the well. Without the exception, Forest would have to shut in the well, possibly resulting in the ultimate waste of oil.

Carl Sample Lease Well No. 1H

The Carl Sample Lease (No. 17754) Well No. 1H (API No. 42-177-33220) was completed on January 29, 2014 in the Eagleville (Eagle Ford-1) Field. On initial potential testing the well produced 460 barrels of oil and 367 MCF gas. The well is currently producing about 100 barrels of oil per day and about 60 MCF gas. The well was assigned administrative flaring permit number 16108 on February 26, 2014. The permit has been extended for the maximum 180 days and expired on August 27, 2014. On August 15, 2014 Forest requested a hearing to extend the flaring authority.

The Carl Sample Well No. 1H, which is outside of what Forest considers to be its "core area" of Eagle Ford acreage, would require construction of a two mile long gathering line. Gas produced from this well also requires treatment for dewpoint, hydrogen sulfide, carbon dioxide and nitrogen.

Forest provided evidence demonstrating these gas processing facilities and a pipeline connection for the Carl Sample Well No. 1H would not be economical over the anticipated 10-year life of the well. Forest therefore seeks a one-year permit extension until August 28, 2015, to flare up to 75 MCF gas per day from the well. Without the exception, Forest would have to shut in the well, possibly resulting in the ultimate waste of oil.

Lester-Ricochet Lease Well No. 2-1H

The Lester-Ricochet Lease (ID not assigned), Well No. 2-1H (API No. 42-177-33261) was completed on February 13, 2014 in the Smiley (Austin Chalk) Field. On initial potential testing the well produced 532 barrels of oil and 259 MCF gas. The well is currently producing about 180 barrels of oil per day and about 80 MCF gas. The well was assigned administrative flaring permit number 16275 on March 13, 2014. The permit has been extended for the maximum 180 days and expired on September 11, 2014. On August 15, 2014 Forest requested a hearing to extend the flaring authority.

The Lester-Ricochet Well No. 2-1H, which is outside of what Forest considers to be its "core area" of Eagle Ford acreage, would require construction of a 1.75 mile gathering line. Gas produced from this well also requires treatment for dewpoint, hydrogen sulfide, carbon dioxide and nitrogen.

Forest proposes to conduct an open hole fracture stimulation on the well, which, unlike the other two under consideration in this matter, is producing from the Austin Chalk Formation. Forest anticipates the open-hole fracture to result in increased production, and is therefore seeking a one-year permit extension until September 12, 2015, to flare up to 240 MCF gas per day from the well.

Forest provided evidence demonstrating these gas processing facilities and a pipeline connection for the Lester-Ricochet Well No. 2-1H would not be economical within the first three years. It's economic analysis indicates that after three years the project to connect the well to treatment and transmission facilities would be economical. Forest did not indicate at the hearing whether or not it had made a decision to pursue constructing the pipeline and treatment facilities at this time. Without the exception, Forest would have to shut in the well, possibly resulting in the ultimate waste of oil.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.

2. The Rowell-Springs Well No. 1H was completed on February 27, 2014 in the Eagleville (Eagle Ford-1) Field.
 - a. On initial potential testing the well produced 784 barrels of oil and 272 thousand cubic feet (MCF) gas.
 - b. The well is currently producing about 250 barrels of oil per day and about 90 MCF gas.
 - c. The well was assigned administrative flaring permit number 16276 on March 13, 2014. The permit has been extended for the maximum 180 days and expired on September 11, 2014. On August 15, 2014 Forest requested a hearing to extend the flaring authority.
 - d. Gas from the Rowell-Springs Well No. 1H contains a high dewpoint, hydrogen sulfide, carbon dioxide and nitrogen, all of which must either be reduced or removed prior to sales.
 - e. The closest gas pipeline to the subject well is a 30-inch transmission line owned by Houston Pipeline (HPL) about one mile to the north. The HPL line has strict limitations on dewpoint and gas contaminants.
 - f. Forest provided evidence demonstrating these gas processing facilities and a pipeline connection for the Rowell-Springs Well No. 1H would not be economical.

3. The Carl Sample Lease Well No. 1H was completed on January 29, 2014 in the Eagleville (Eagle Ford-1) Field.
 - a. On initial potential testing the well produced 460 barrels of oil and 367 MCF gas.
 - b. The well is currently producing about 100 barrels of oil per day and about 60 MCF gas.
 - c. The well was assigned administrative flaring permit number 16108 on February 26, 2014. The permit has been extended for the maximum 180 days and expired on August 27, 2014. On August 15, 2014 Forest requested a hearing to extend the flaring authority.
 - d. Gas from the Carl Sample Well No. 1H would require construction of a two mile long gathering line. Gas produced from this well also requires treatment for dewpoint, hydrogen sulfide, carbon dioxide and nitrogen.

- e. Forest provided evidence demonstrating these gas processing facilities and a pipeline connection for the Carl Sample Well No. 1H would not be economical over the anticipated 10-year life of the well.
4. The Lester-Ricochet Well No. 2-1H was completed on February 13, 2014 in the Smiley (Austin Chalk) Field.
 - a. On initial potential testing the well produced 532 barrels of oil and 259 MCF gas.
 - b. The well is currently producing about 180 barrels of oil per day and about 80 MCF gas.
 - c. The well was assigned administrative flaring permit number 16275 on March 13, 2014. The permit has been extended for the maximum 180 days and expired on September 11, 2014. On August 15, 2014 Forest requested a hearing to extend the flaring authority.
 - d. Gas sales from the Lester-Ricochet Well No. 2-1H requires construction of a 1.75 mile gathering line and treatment for dewpoint, hydrogen sulfide, carbon dioxide and nitrogen.
 - e. Forest proposes to conduct an open hole fracture stimulation on the well, which, unlike the other two under consideration in this matter, is producing from the Austin Chalk Formation.
 - f. Forest provided evidence demonstrating these gas processing facilities and a pipeline connection for the Lester-Ricochet Well No. 2-1H would not be economical within the first three years. It's economic analysis indicates that after three years the project to connect the well to treatment and transmission facilities would be economical.
 - g. Forest did not indicate at the hearing whether or not it had made a decision to pursue constructing the pipeline and treatment facilities at this time.
5. Without the requested exceptions, Forest would have to shut in the wells, possibly resulting in the ultimate waste of oil.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. Approval of the requested exceptions to Statewide Rule 16 will allow Forest to prevent waste of oil by continuing to produce oil from the wells.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend the exceptions to Statewide Rule 32 requested by Forest be granted.

Respectfully submitted,



Paul Dubois
Technical Examiner



Terry Johnson
Hearings Examiner