



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO.03-0295064**

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**THE APPLICATION OF VENADO OIL & GAS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE MCCOWAN UNIT, WELL NO. 1H, SOUTHERN BAY (EAGLE FORD) FIELD, LEE COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO.03-0295063**

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**THE APPLICATION OF VENADO OIL & GAS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE MCCOWAN UNIT, WELL NO. 2H, SOUTHERN BAY (EAGLE FORD) FIELD, LEE COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO.03-0295283**

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**THE APPLICATION OF VENADO OIL & GAS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE STEAHR UNIT 1H AND THE STEAHR UNIT 2H, SOUTHERN BAY (EAGLE FORD) FIELD, LEE COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Marshall Enquist – Legal Examiner

**DATE OF HEARING:** February 25, 2015  
**DATE OF CONFERENCE:** May 12, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

David Gross  
Brenda Wise

Venado Oil & Gas, LLC

**EXAMINERS' REPORT AND RECOMMENDATION****STATEMENT OF THE CASE**

Venado Oil & Gas, LLC ("Venado") requests an exception to Statewide Rule 32 to flare casinghead gas from the McCowan Unit, Well Nos. 1H and 2H, and the Steahr Unit, Well Nos. 1H and 2H in the Southern Bay (Eagle Ford) Field, Lee County, Texas. Notice was provided to offset operators surrounding the subject wells and no protests were received. The applications are unopposed and the Examiners recommend granting an exception to Statewide 32 to flare casinghead gas for each of the requested wells for a period of one year.

**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 Mcf per day 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, Venado is requesting an exception to flare casinghead gas produced from each of the requested wells, as provided by Statewide Rule 32(h).

The McCowan Unit, Well No. 1H (API No. 42-287-32626) was completed on June 20, 2014 in the Southern Bay (Eagle Ford) Field, in Lee County, Texas. A twenty-four hour well test was conducted on June 26, 2014, six days after the well was completed. During this test, the well produced 505 BO, 194 Mcf of casinghead gas, and 706 bbl of water, with a flowing tubing pressure of 1000 psi.

Venado received Flare Permit No. 17833 for the McCowan Unit, Well No. 1H, effective June 21, 2014 to August 5, 2014, for a maximum volume of 400 Mcf per day. The permit was then extended from August 6, 2014 to October 5, 2014, for a maximum volume of 400 Mcf per day. The permit was later extended for an additional 75 days (October 6, 2014 to December 20, 2014), for a maximum volume of 150 Mcf per day. In total, the permit authorized Venado to flare casinghead gas from the subject well for a total of 180 days, the maximum length of time that may be granted administratively for volumes greater than 50 Mcf per day.

The Commission received a hearing request from Venado on November 26, 2014 for an exception to Statewide Rule 32 for the McCowan Unit, Well No. 1H. In the month prior to the expiration date of the 180 day administrative flaring permit, the volume of casinghead gas produced from the McCowan Unit, Well No. 1H ranged from less than 50 Mcf per day to 72 Mcf per day. The nearest pipeline is approximately 0.83

miles away. Venado is requesting an exception to flare casinghead gas for a maximum of 100 Mcf per day for a period of one year. Venado's witness stated that it is unlikely that the volume of casinghead gas produced will reach 100 Mcf on any given day during the next 12 months. However, Venado is requesting a slightly higher than anticipated maximum daily volume to prevent exceeding the permit requirements in the event an unpredictable spike in gas production is encountered. It is expected that within a year, the volume of casinghead gas produced will fall below 50 Mcf per day, at which time Venado may request a permanent exception for a volume no greater than 50 Mcf per day, which may be granted administratively.

The McCowan Unit, Well No. 2H (API No. 42-287-32636) was completed on June 20, 2014 in the Southern Bay (Eagle Ford) Field, in Lee County, Texas. A twenty-four hour well test was conducted on June 26, 2014, six days after the well was completed. During this test, the well produced 541 BO, 212 Mcf of casinghead gas, and 634 bbl of water, with a flowing tubing pressure of 1000 psi.

Venado received Flare Permit No. 17832 for the McCowan Unit, Well No. 2H, effective June 21, 2014 to August 5, 2014, for a maximum volume of 400 Mcf per day. The permit was then extended from August 6, 2014 to October 5, 2014, for a maximum volume of 400 Mcf per day. The permit was later extended for an additional 75 days (October 6, 2014 to December 20, 2014), for a maximum volume of 150 Mcf per day. In total, the permit authorized Venado to flare casinghead gas from the subject well for a total of 180 days, the maximum length of time that may be granted administratively for volumes greater than 50 Mcf per day.

The Commission received a hearing request from Venado on November 26, 2014 for an exception to Statewide Rule 32 for the McCowan Unit, Well No. 2H. In the month prior to the expiration date of the 180 day administrative flaring permit, the volume of casinghead gas produced from the McCowan Unit, Well No. 2H ranged from 18 Mcf per day to 79 Mcf per day. The nearest pipeline is approximately 0.83 miles away. Venado is requesting an exception to flare casinghead gas for a maximum of 150 Mcf per day for a period of one year. Venado is requesting a slightly higher than anticipated maximum daily volume to prevent exceeding the permit requirements in the event an unpredictable spike in gas production is encountered. Venado's witness stated that the well will be producing less than 50 Mcf per day within a year, at which time Venado may request a permanent exception for a volume no greater than 50 Mcf per day, which may be granted administratively.

The Steahr Unit, Well No. 1H (API No. 42-287-32640) was completed on July 26, 2014 in the Southern Bay (Eagle Ford) Field, in Lee County, Texas. A twenty-four hour well test was conducted on July 28, 2014, two days after the well was completed. During this test, the well produced 572 BO, 252 Mcf of casinghead gas, and 1,054 bbl of water, with a flowing tubing pressure of 950 psi.

Venado received Permit No. 18249 for the Steahr Unit, Well No. 1H, effective July 27, 2014 to October 25, 2014, for a maximum volume of 400 Mcf per day. The permit was then extended from October 26, 2014 to January 24 2015, for a maximum volume of 250 Mcf per day. In total, the permit authorized Venado to flare casinghead gas from the subject well for a total of 180 days, the maximum length of time that may be granted administratively for volumes greater than 50 Mcf per day.

The Commission received a hearing request from Venado on January 16, 2015 for an exception to Statewide Rule 32 for the Steahr Unit, Well No. 1H. In the thirty days prior to the expiration date of the 180 day administrative flaring permit, the volume of casinghead gas produced reached a maximum daily volume of 87 Mcf per day, with a thirty day average of 54 Mcf per day. The nearest pipeline is approximately 1.08 miles away. Venado is requesting an exception to flare casinghead gas for a maximum of 100 Mcf per day for a period of one year. Venado is requesting a slightly higher than anticipated maximum daily volume to prevent exceeding the permit requirements in the event an unpredictable spike in gas production is encountered. Venado's witness expects the well will be producing less than 50 Mcf per day within a year, at which time Venado may request a permanent exception for a volume no greater than 50 Mcf per day, which may be granted administratively.

The Steahr Unit, Well No. 2H (API No. 42-287-32641) was completed on July 26, 2014 in the Southern Bay (Eagle Ford) Field, in Lee County, Texas. A twenty-four hour well test was conducted on July 29, 2014, three days after the well was completed. During this test, the well produced 547 BO, 489 Mcf of casinghead gas, and 1,032 bbl of water, with a flowing tubing pressure of 1,030 psi.

Venado received Permit No. 18248 for the Steahr Unit, Well No. 2H, effective July 27, 2014 to October 25, 2014, for a maximum volume of 450 Mcf per day. The permit was then extended from October 26, 2014 to January 24 2015, for a maximum volume of 250 Mcf per day. In total, the permit authorized Venado to flare casinghead gas from the subject well for a total of 180 days, the maximum length of time that may be granted administratively for volumes greater than 50 Mcf per day.

The Commission received a hearing request from Venado on January 16, 2015 for an exception to Statewide Rule 32 for the Steahr Unit, Well No. 2H. In the week prior to the hearing, the volume of casinghead gas produced reached a maximum daily volume of 60 Mcf per day, with a thirty day average of 52 Mcf per day, excluding downtime. The nearest pipeline is approximately 1.08 miles away. Venado is requesting an exception to flare casinghead gas for a maximum of 100 Mcf per day for a period of one year. Venado is requesting a slightly higher than anticipated maximum daily volume to prevent exceeding the permit requirements in the event an unpredictable spike in gas production is encountered. Venado's witness expects the well will be producing less than 50 Mcf per day within a year, at which time Venado may request a permanent exception for a volume no greater than 50 Mcf per day, which may be granted administratively.

**FINDINGS OF FACT**

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. The McCowan Unit, Well No. 1H (API No. 42-287-32626) was completed in the Southern Bay (Eagle Ford) Field, in Lee County, Texas.
3. The nearest pipeline to the McCowan Unit, Well No. 1H is 0.83 miles away.
4. Venado received Flare Permit No. 17833 for the McCowan Unit, Well No. 1H, effective June 21, 2014 to December 20, 2014, for a total of 180 days.
5. The McCowan Unit, Well No. 2H (API No. 42-287-32636) was completed in the Southern Bay (Eagle Ford) Field, in Lee County, Texas.
6. Venado received Flare Permit No. 17832 for the McCowan Unit, Well No. 2H, effective June 21, 2014 to December 20, 2014, for a total of 180 days.
7. The nearest pipeline to the McCowan Unit, Well No. 2H is 0.83 miles away.
8. The Steahr Unit, Well No. 1H (API No. 42-287-32640) was completed in the Southern Bay (Eagle Ford) Field, in Lee County, Texas.
9. Venado received Flare Permit No. 18249 for the Steahr Unit, Well No. 1H, effective July 27, 2014 to January 24 2015, for a period of 180 days.
10. The nearest pipeline to the Steahr Unit, Well No. 1H is 1.08 miles away.
11. The Steahr Unit, Well No. 2H (API No. 42-287-32641) was completed in the Southern Bay (Eagle Ford) Field, in Lee County, Texas.
12. Venado received Flare Permit No. 18248 for the Steahr Unit, Well No. 2H, effective July 27, 2014 to January 24 2015 for a period of 180 days.
13. The nearest pipeline to the Steahr Unit, Well No. 2H is 1.08 miles away.
14. The McCowan Unit, Well No. 1H, McCowan Unit, Well No. 2H, Steahr Unit, Well No. 1H, and Steahr Unit, Well No. 2H are oil wells.
15. The casinghead gas is declining for each well and current production for each well is less than 100 MCF per day.

**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 the request by Venado Oil & Gas, LLC. for an exception to Statewide Rule 32 for the McCowan Unit, Well Nos. 1H and 2H, and the Steahr Unit, Well Nos. 1H and 2H in the Southern Bay (Eagle Ford) Field, Lee County, Texas. The exception for each well is granted for a period of one year from the date the previous permit expires.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Marshall Enquist  
Legal Examiner