



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0296056

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**THE APPLICATION OF CONTINENTAL TREND RESOURCES, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HOWARD 15 LEASE, WELL NO. 1H, HARTLEY WEST (CANYON) FIELD, HARTLEY COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
John Dodson – Hearings Examiner

**DATE OF HEARING:** May 1, 2015  
**DATE OF CONFERENCE:** June 9, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Olga Kobzar  
Matt Powe

Continental Trend Resources, Inc.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Continental Trend Resources, Inc. ("Continental Trend") requests an exception to Statewide Rule 32 to flare casinghead gas from the Howard 15 Lease, Well No. 1H in the Hartley West (Canyon) Field, Hartley County, Texas. Continental Trend requests an exception to Statewide 32 to flare a maximum volume of 200 Mcf per day of casinghead gas from Howard 15 Lease, Well No. 1H for a period eighteen months. Within an eighteen month period, Continental Trend estimates that casinghead gas production will be less than 50 Mcfd, at which time a permanent exception to flare no greater than 50 Mcfd of casinghead gas may be granted administratively. Notice was provided to offset operators surrounding the subject well and no protests were received. The application is unopposed and the Examiners recommend approval of exception to Statewide 32 for the Howard 15 Lease, Well No. 1H to flare a maximum volume of 200 Mcfd of casinghead gas for a period of eighteen months.

### 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 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, Continental Trend is requesting an exception to flare casinghead gas produced from the subject well as provided by Statewide Rule 32(h).

The Howard 15 Lease, Well No. 1H (API No. 42-205-30376) was completed on August 18, 2014 in the Hartley West (Canyon) Field, in Hartley County, Texas. A twenty-four hour well test was conducted on October 5, 2014, at which time, the well produced 233 BO, 194 Mcf of casinghead gas, and 456 bbl of water. Continental Trend received flare permit No. 19077 for the Howard 15 Lease, Well No. 1H, effective August 25, 2014 to March 15, 2015 for a maximum volume of 300 Mcf per day. In total, the permit authorized Continental Trend 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 Continental Trend on March 23, 2015 for an exception to Statewide Rule 32 for the Howard 15 Lease, Well No. 1H, eight days after the 180 day flaring permit expired. The delay in requesting a hearing for an exception to Statewide Rule 32 for the subject well was due to an administrative oversight. Continental Trend's witness testified that the company was anticipating that the well would be producing less than 50 Mcfd prior to the 180 flare permit expiring and a hearing would not be required. The well is currently on gas lift, and Continental Trend's witness expects the gas production to fall below 50 Mcfd after taking the well off gas lift. According to the Continental Trend's witness, it has taken longer than anticipated to take the well off of gas lift.

The nearest pipeline right-of-way distance from the Howard 15 Lease, Well No. 1H is three miles. The gas produced from the subject well is high in nitrogen ( $N_2$ ), with an average  $N_2$  concentration of 20%. Continental Trend's witness presumes the trunk line will require a  $N_2$  concentration of 3% or less, since the pipeline is near a town. The seven-day average production from the well prior to the hearing was 38 BOPD and 124 Mcfd of casinghead gas. Continental Trend's witness has determined that constructing a pipeline connection three miles in length is uneconomic compared to the value of the future production of oil and gas. Continental Trend's witness calculates the value of future oil production to be \$415,000 and the value of future gas production to be \$130,900, for a total future value of \$545,900. The estimated cost to construct three miles of pipeline, which does not factor an interconnect cost, is estimated at \$539,520. The cost to treat the gas to reduce the  $N_2$  concentration to less than 3% is estimated at

\$75,000. Continental Trend's witness estimates the interconnect cost could be as high as \$300,000. In total, the estimated cost to construct the pipeline and treat the gas ranges from \$614,520 to \$914,520. Continental Trend's witness estimated that the well will be producing less than 50 Mcf per day sometime in 2016, at which time Continental Trend 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 Howard 15 Lease, Well No. 1H in the Hartley West (Canyon) Field, Hartley County, Texas.
3. Continental Trend received flare permit No. 19077 for the Howard 15 Lease, Well No. 1H, effective August 25, 2014 to March 15, 2015 for a maximum volume of 300 Mcf per day.
4. The Commission received a hearing request from Continental Trend on March 23, 2015 for an exception to Statewide Rule 32 for the Howard 15 Lease, Well No. 1H.
5. The nearest pipeline right-of-way distance from the Howard 15 Lease, Well No. 1H is three miles.
6. The gas produced from the subject well is high in nitrogen (N<sub>2</sub>), with an average N<sub>2</sub> concentration of 20%.
7. Constructing a pipeline connection three miles in length is uneconomic compared to the value of the future production of oil and gas.
8. The Howard 15 Lease, Well No. 1H is estimated to be producing less than 50 Mcf per day within the next 18 months.

### **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 Continental Trend Resources, Inc. for an exception to Statewide Rule 32 for the Howard 15 Lease, Well No. 1H. The exception is granted to flare a maximum volume of 200 Mcf per day of casinghead gas from March 23, 2015, through September 23, 2016.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



John Dodson  
Legal Examiner