



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0293313

THE APPLICATION OF FORT APACHE ENERGY, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE AUDIE L. MURPHY LEASE, WELL NO. 1, BIG AL (WILCOX 8300) FIELD, JASPER COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Laura Miles-Valdez – Legal Examiner

HEARING DATE: May 27, 2015
RECORD CLOSED: May 27, 2015
SUBMISSION DATE: August 12, 2015
CONFERENCE DATE: August 25, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

John Camp
Mimi Winetroub

Fort Apache Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, Fort Apache Energy, Inc. ("FAE") seeks authority to flare up to 125 MCFG of casing-head gas from the Audie L. Murphy Lease, Well No. 1 (API No. 42-241-30847) ("Subject Well"), effective October 22, 2014 through January 31, 2015.

The application is unopposed and the Examiners recommend that it be approved, as requested by FAE.

DISCUSSION OF THE EVIDENCE

Ms. Mimi Winetroub, consulting engineer, testified on behalf of FAE. She stated all offset operators were provided notice and an opportunity to participate in the hearing.

Applicable Rules

In general, 16 Tex. Admin. Code §3.32 (“SWR 32”) governs flaring of casinghead gas produced under the jurisdiction of the Railroad Commission. Titled “Exceptions,” SWR 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

Application History

FAE received three administrative approvals from the Oil and Gas Division to flare up to 150 MCFGD of casing-head gas from the Subject Well between April 24th and October 21, 2014 (Flare Permit No. 16766). By letter dated October 10, 2014, FAE submitted its hearing request for the Subject Well.

FAE submitted a copy of the completion report filed for the Subject Well. Ms. Winetroub testified that the well was completed in the subject field on April 4, 2014, and tested for initial potential on May 15, 2014. The IP test resulted in 388 barrels of oil per day, 109 MCFG per day, and 0 barrels of water per day.

FAE submitted copies of the monthly oil and casinghead gas production reports filed between August 2014 through February 2015. During that time, the Subject Well’s monthly production volumes ranged up to 12,194 barrels of oil and 4,687 MCFG (*i.e.*, 406 BOPD and 156 MCFGD).

Ms. Winetroub testified that the Subject Well was connected to a gas sales pipeline on January 21, 2015. Prior to January 21st, however, FAE was in the process of completing a gas transport pipeline from the Subject Well to the nearest gas market pipeline. Ms. Winetroub testified that between October 21, 2014, and January 31, 2015, FAE flared a total of 12,975 MCFG (*i.e.*, about 125 MCFGD). She testified that the flaring period between October 21st and January 31st was necessary to continue producing the Subject Well; otherwise, it would have been unavoidably shut-in. She testified that the overall net benefit of flaring 125 – 150 MCFGD between April 2014 and January 2015 resulted in a gain of over 76,106 barrels of oil, valued at over \$5 million.

FINDINGS OF FACT

1. Fort Apache Energy, Inc. (“FAE”) seeks an exception to 16 Texas Admin. Code §3.32 to flare casing-head gas derived from the Big Al (Wilcox 8300) Field through the Audie L. Murphy Lease, Well No. 1 (API No. 42-241-30847) (“Subject Well”) in the following manner (“Subject Application”):
 - a. 125 MCFGD from 10/22/2014 to 01/31/2015.

2. Notice of Hearing was provided to all immediate offsetting operators adjacent to the lease on which the Subject Well is located.
3. FAE received three administrative approvals from the Oil and Gas Division to flare up to 150 MCFGD of casing-head gas from the Subject Well between April 24th and October 21, 2014 (Flare Permit No. 16766).
4. FAE's administrative authority to flare casinghead gas volumes greater than 50 MCFGD from each of the Subject Well expired on October 21, 2014.
5. On October 10, 2014, FAE submitted its hearing request for the Subject Well captioned in Oil and Gas Docket No. 03-0293313.
6. Approval of the subject application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32

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. Legally sufficient notice has been provided to all affected persons.
3. The requested rates and time frames to flare casing-head gas, as described in Finding of Fact No. 1, satisfies the requirements of Title 16 TAC §§3.32.

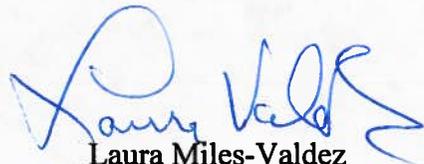
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the exception to flare casing-head gas from the Subject Well as described in Finding of Fact No. 1 above.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Laura Miles-Valdez
Legal Examiner