



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0296607

THE APPLICATION OF ABRAXAS PETROLEUM CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE DUTCH LEASE, WELL NOS. 1 AND 2, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Cecile Hanna – Legal Examiner

REVIEWED BY: Laura Miles-Valdez – Legal Examiner

HEARING DATE: June 12, 2015
RECORD CLOSED: June 19, 2015
SUBMISSION DATE: August 31, 2015
CONFERENCE DATE: September 15, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

George Neale
Tyne Tiller

Abraxas Petroleum Corp.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, Abraxas Petroleum Corporation ("Abraxas") seeks an exception to flare casing-head gas from the Dutch Lease, Well Nos. 1 and 2, completed in the subject field. Abraxas requests authority to collectively vent or flare a total of 25,836 MCFG (*i.e.* 280 MCFG per day) from the subject wells (MCFGD represents 1,000 cubic feet of gas per day), effective November 28, 2014, through February 28, 2015.

On June 19, 2015, Abraxas submitted its late-filed Exhibit No. 14 to show the flared volumes for the period of November 28, 2014, through February 28, 2015.

The subject application is unopposed. The Examiners recommend that it be approved, as requested by Abraxas.

DISCUSSION OF THE EVIDENCE

Applicable Rule

16 Tex. Admin. Code §3.32 (“SWR 32”) governs flaring of natural 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

Mr. Tyne Tiller testified on behalf Abraxas. Mr. Tiller is employed at Abraxas as a Petroleum Engineer.

All operators that immediately offset the Dutch Lease, as well as the Oil and Gas Division, were provided notice and an opportunity to participate in the hearing on May 20, 2015. Abraxas was the only party to appear at the hearing.

The subject wells are located on the Dutch Lease (P-4 Lease ID 01-17515) and are completed in the subject field. Abraxas received 180 days of administrative authority to flare a maximum of 180 MCFG per day from the Dutch Lease, effective June 1, 2014, through November 27, 2014 (Permit No. 20016).¹

On April 2, 2015, however, Abraxas received a letter from the Oil & Gas Division regarding “Notice of Intent to Cancel P-4 Certificate” for failure to obtain a permit to flare casinghead gas from the Dutch Lease between November 28, 2014, through February 27, 2015.²

Applicant’s Argument

Mr. Tiller testified that Abraxas sold 78,479 MCF of casinghead gas produced from the subject wells to market from November 28, 2014, to February 28, 2015.³ He testified, however, that Abraxas flared 25,836 MCF of casinghead gas during that time for two reasons: (1) insufficient compression in the gas flowline from the subject wells to the nearest gas market pipeline; and (2) the gas pipelines servicing the Dutch Lease intermittently froze due to surface ambient temperatures. Mr. Tiller testified that as a result, Abraxas was left with the option to either shutin the subject wells or flare the casinghead gas that they produced.

Mr. Tiller testified that on November 18, 2014, Abraxas placed an order for two compressors from a third party vendor. Abraxas did not receive those compressors until January 9, 2015, and February 9, 2015, respectively. The compressors were installed on the Dutch Lease

¹ Abraxas Exh. No. 2.

² Compare Abraxas Exh. No. 3 with testimony on audio recording at 3:48.

³ Abraxas Exh. Nos. 6 – 13.

during February 2015 and have since been in service.⁴ He testified that since the new compressors have been online, the need to flare casinghead gas has been removed.

Mr. Tiller testified that had Abraxas received the mentioned compressors in a more timely fashion, then the necessity to flare casinghead gas from the subject wells would have been avoided.⁵

FINDINGS OF FACT

1. Abraxas Petroleum Corporation ("Abraxas") seeks an exception to flare casing-head gas derived from the Dutch Lease, Well Nos. 1 and 2 ("Subject Wells"), completed in the Eagleville (Eagle Ford-1) Field, McMullen County, Texas ("Subject Application").
2. Sufficient notice of the Subject Application was made on May 20, 2015.
3. Abraxas was the only party that attended the hearing held for the Subject Application.
4. Abraxas requests to vent or flare up to 25,836 MCFG (*i.e.* 280 MCFG per day) (MCFGD represents 1,000 cubic feet of gas per day) from the Subject Wells, effective November 28, 2014, through February 28, 2015.
5. Abraxas received 180 days of administrative authority to vent or flare a maximum of 180 MCFGD on the Dutch Lease (P-4 Lease ID 01-17515), effective June 1, 2014, through November 27, 2014 (Permit No. 20016).
6. The 180-day administrative vent/flare authority for Permit No. 20016 expired on November 27, 2014.
7. On April 2, 2015, Abraxas received a letter from the Oil & Gas Division regarding "Notice of Intent to Cancel P-4 Certificate" for failure to obtain a permit to flare casinghead gas from the Dutch Lease from November 28, 2014, through February 27, 2015.
8. The primary cause for flaring casinghead gas from the Subject Wells from November 28, 2014, through February 27, 2015, was due to insufficient gas pipeline compression.
9. Abraxas sold 78,479 MCF of casinghead gas produced from the Subject Wells to gas market from November 28, 2014, through February 28, 2015.
10. Approval of the Subject Application is reasonable and appropriate, in accordance with to 16 Tex. Admin. Code §3.32(h).

⁴ Abraxas Exh. No. 4.

⁵ Testimony at 4:35.

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 authority to collectively flare or vent up to 25,836 MCFG of casing-head gas derived from the Eagleville (Eagle Ford-1) Field, McMullen County, Texas at the Subject Wells, effective November 28, 2014, through February 28, 2015, satisfies the requirements of Title 16 TAC §3.32.

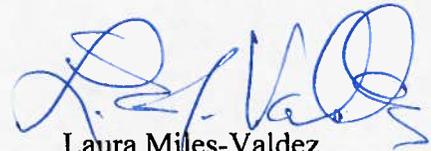
EXAMINERS' RECOMMENDATION

The Examiners recommend that the Commission grant an exception to flare or vent up to 25,836 MCFG of casing-head gas from the Subject Wells, located in the Eagleville (Eagle Ford-1) Field, McMullen County, Texas, effective November 28, 2014, through February 28, 2015.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Laura Miles-Valdez
Legal Examiner