



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0295670

THE APPLICATION OF BHP BILLITON PET. CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, FORD, WEST (WOLFCAMP), PHANTOM (WOLFCAMP), AND SANDBAR (BONE SPRING) FIELDS, CULBERSON AND LOVING COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 08-0296548

THE APPLICATION OF BHP BILLITON PET. CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, CULBERSON, LOVING, AND REEVES COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 08-0296549

THE APPLICATION OF BHP BILLITON PET. CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, LOVING AND REEVES COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 08-0296550

THE APPLICATION OF BHP BILLITON PET. CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0296727

THE APPLICATION OF BHP BILLITON PET. CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, LOVING AND REEVES COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 08-0296728

THE APPLICATION OF BHP BILLITON PET. CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, LOVING AND REEVES COUNTIES, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

HEARING DATE: August 3, 2015
CONFERENCE DATE: October 20, 2015

APPEARANCES: **REPRESENTING:**

APPLICANT:

Davin McGinnis
Tim Smith

BHP Billiton Pet (TXLA OP) Co.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

BHP Billiton Pet (TXLA OP) Co. (“BHP”) requests an exception to Statewide Rule 32 to flare casinghead gas at thirty-eight flare points from wells completed on forty-eight total leases. The casinghead gas is produced from wells completed in the Ford, West (Wolfcamp), Phantom (Wolfcamp) and Sandbar (Bone Springs) Fields in Culberson, Reeves, and Loving Counties, Texas. Notice was provided to offset operators in the field surrounding the flare points and no protests were received. The applications are unopposed and the Examiners recommend approval of an exception to Statewide 32 to flare casinghead gas for each of the six applications.

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. For each of the subject applications, BHP has been granted permits to flare casinghead gas that will be expiring. BHP is requesting an exception to Statewide 32 to flare casinghead gas for an additional period of time for each application.

The volumes of casinghead gas produced with liquids from horizontal wells completed in the Ford, West (Wolfcamp), Phantom (Wolfcamp), and Sandbar (Bone Springs) Fields in Culberson, Loving, and Reeves Counties has strained the capacity of pipelines in the area. The pace of development and production from each of the subject fields has outpaced the development and expansion of midstream gathering systems in the area. All lease facilities in each of the six applications are connect to sales lines. When system upsets or pipeline capacity

constraints occur the only options available to the operator are to shut-in wells or flare casinghead gas. Operators are concerned that the reservoir may be harmed due stress-cycling effects on the proppant pack in the fractures if producing wells are required to be shut-in. Stress-cycling may crush proppant which may create fines, resulting in fines migration, leading to the plugging of pore throats and reducing the effective conductivity of the proppant pack. Therefore, in order to continue producing liquids from these wells, BHP is requesting an exception to Statewide Rule 32.

Midstream providers in the area are currently working to expand capacity. Delaware Basin Midstream ("DBM") is currently constructing an additional cryogenic unit at the DBM Ramsey Plant with 200 MMcf per day of designed processing capacity. This is expected to be in service during the first quarter 2016. Regency, another provider in the area, completed the Mi Vida cryogenic processing facility in the second quarter of 2015, providing an additional processing capacity of 200 MMcf per day. Another 200 MMcf per day cryogenic processing facility is expected to be on-line in the third quarter of 2015, which may be pushed back to the first quarter of 2016. The expansion of existing infrastructure is expected to help alleviate the need for flaring in the area.

On February 13, 2015, the Commission received a hearing request for an exception to Statewide Rule 32 for the each flare point in these six applications. BHP is requesting an eighteen (18) month exception to Statewide Rule 32, effective February 13, 2015 to July 31, 2016. The maximum monthly flare volume requested for each flare point was estimated by multiplying the maximum monthly production from January 2015 to May 2015 by the maximum percentage of gas flared in any given month during this same five month period. The location of the flare points and maximum monthly requested volumes for each application are summarized in Tables 1 - 6.

Table 1: Oil and Gas Docket No. Docket 08-0295670: Statewide Rule 32 Exception Summary

Previous Flare Permit No.	Plant/Lease Name	RRC ID No. (for all wells connected flare point)	P-17 Permit (if applicable)	Exception to SWR 32 Maximum Flare Volume Requested (Mcf/month)
20928	Abernathy 57-T1-14	270387, 45618	08-7346	10,000
20931	Bold Johnson 56-T1-26	270251, 783085	08-7345	7,700
20932	Bold Johnson 56-T1-36	271703, 275462	08-7067	28,000
20937	Horseshoesprings State 113-10	272717		20,600
21467	Johnson Estate 57-T1-2	46426		7,300
21109	Raymore 57-T1-24	271713		15,300
21464	State Protection 55-T2-2	271674, 275634	08-7237	15,800

**OIL AND GAS DOCKET NOS. 08-0295670, 08-0296548, 08-0296549, 08-0296550,
08-0296727 & 08-0296728
EXAMINERS' REPORT AND RECOMMENDATION**

Table 2: Oil and Gas Docket No. 08-0296548: Statewide Rule 32 Exception Summary

Previous Flare Permit No.	Plant/Lease Name	RRC ID No. (for all wells connected to flare point)	P-17 Permit (if applicable)	Exception to SWR 32 Maximum Flare Volume Requested (Mcf/month)
20929	Alexander 58-T2-12	789173		45,600
21460	Fraser 57-T1-39	788856		10,100
20939	Mdj Minerals 58-T2-22	779220		29,200
20945	State Pogo 57-T2-4	787322		28,300

Table 3: Oil and Gas Docket No. 08-0296549: Statewide Rule 32 Exception Summary

Previous Flare Permit No.	Plant/Lease Name	RRC ID No. (for all wells connected flare point)	P-17 Permit (if applicable)	Exception to SWR 32 Maximum Flare Volume Requested (Mcf/month)
20930	Bettye Hansard State 45-3	272207		16,000
21459	Dela State 58-T2-48	267104		14,000
21108	Diamond State 45-10	45589		5,800
21740	Hubbard Enterprises 57-T1-32	273718, 271198	08-6899	28,500
21862	Meeker 56-T2-22	270731		9,200
21461	Hooton Etal State 57-T3-22	270685		14,200
20913	State Caldwell 57-T2-26	785955, 276866	08-7246	14,400
20912	State Caldwell 57-T2-26	785965, 791559	08-7245	11,900
20906	State Desert 55-T2-18	787266		21,900
21466	State Diamond Back 57-T3-4	275789		17,200
21462	State Hanging H Ranch 56-T3-8	275255		17,400
20944	State Olson 57-T2-8	783707		43,100
20943	State Roberta Regan 57-T2-36	787502		59,300

Table 4: Oil and Gas Docket No. 08-0296550: Statewide Rule 32 Exception Summary

Previous Flare Permit No.	Plant/Lease Name	RRC ID No. (for all wells connected flare point)	P-17 Permit (if applicable)	Exception to SWR 32 Maximum Flare Volume Requested (Mcf/month)
21727	Brown State 56-T2-44 Brown State 56-T3-2	277117, 793306	08-7229	82,200
20936	Hill And Meeker 56-T2-22	45583		13,200
20940	Mc Camey Forrest 56-T2-16	45504		11,500
20905	Rio State Randolph 57-T2-34	276286		64,200
21894	State Tunstill 56-T2-10	45440		20,600
21463	State Tunstill 56-T2-6	785287		16,900

Table 5: Oil and Gas Docket No. 08-0296727: Statewide Rule 32 Exception Summary

Previous Flare Permit No.	Plant/Lease Name	RRC ID No. (for all wells connected flare point)	P-17 Permit (if applicable)	Exception to SWR 32 Maximum Flare Volume Requested (Mcf/month)
21106	Bold Johnson 56-T1-42	271675		6,100
20935	Johnson Estate 57-T1-4	778215		7,900
20941	Pogo Mosbacher State 57-T2-4	45548		3,200

Table 6: Oil and Gas Docket No. 08-0296728: Statewide Rule 32 Exception Summary

Previous Flare Permit No.	Plant/Lease Name	RRC ID No. (for all wells connected flare point)	P-17 Permit (if applicable)	Exception to SWR 32 Maximum Flare Volume Requested (Mcf/month)
20934	Camp State 56-T2-8	273044		18,500
20938	Lowe Royalty Partners 56-T2-20	45052, 806864	Same Oil Lse.	56,400
20942	Sigler State 57-T2-22	45229 , Pending	Same Oil Lse.	61,200

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 applications.
2. BHP is requesting to flare casinghead gas produced from wells completed in the Ford, West (Wolfcamp), Phantom (Wolfcamp) and Sandbar (Bone Springs) Fields in Culberson, Reeves, and Loving Counties, Texas.
3. All of the subject leases in each of the applications are connected to a sales line.
4. BHP is requesting an exception to Statewide Rule 32 to flare casinghead gas when all gas cannot go to sales.
5. The Commission received a hearing request for an exception to Statewide Rule 32 on February 13, 2015.
6. Midstream providers in the area are currently working to expand capacity.
 - a. Delaware Basin Midstream is currently constructing an additional cryogenic unit at the DBM Ramsey Plant with 200 MMcf per day of designed processing capacity, expected to be in service during the first quarter 2016.
 - b. Regency completed the Mi Vida cryogenic processing facility in the second quarter of 2015, providing an additional processing capacity of 200 MMcf per day. Another 200 MMcf per day cryogenic processing facility is expected to be on-line in the third quarter of 2015, which may be pushed back to the first quarter of 2016.
7. BHP is requesting an eighteen (18) month exception to Statewide Rule 32 from February 13, 2015, to July 31, 2016.

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).

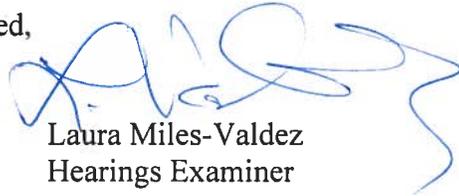
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 for the each flare point from February 13, 2015, to July 31, 2016 for the maximum monthly volumes listed in Tables 1 – 6.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Laura Miles-Valdez
Hearings Examiner