



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0295885

THE APPLICATION OF DEVON ENERGY PRODUCTION CO., LP FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE HARRIS RANCH BB2-8 LEASE, BATTERY A, HARRIS BRANCH BB2-10, BATTERY A; SHANNON ESTATE 1-24; BATTERY A; SHANNON ESTATE 1-33, BATTERY A; SHANNON ESTATE Q-13 BATTERY A; BENNETT BB2-6, LIN (WOLFCAMP) FIELD, CROCKETT COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Terry Johnson – Hearings Examiner

HEARING DATE: September 04, 2014

CONFERENCE DATE: October 20, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
Dustin Freeman

Devon Energy Production Co., LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Devon Energy Production Co., LP (Devon) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) for the authority to flare gas from its Harris Ranch BB2-8 Lease Battery A, (Lease No. 18643), Harris Branch BB2-10 Lease (Lease No. 18822), Shannon Estate 1-24, Battery A, (Lease No. 18735), Shannon Estate 1-33, Battery A, (Lease No. 18953), Shannon Estate Q-13, Battery A, (Lease No. 18741) and the Bennett BB2-6 Lease, (Lease No. 19006) in the Lin (Wolfcamp) Field, Crockett County, Texas. Devon is in discussions with various pipeline companies to construct a pipeline connection to market the gas from these leases.

Devon seeks authority to flare 50 MCFD for each of the six leases with the exceptions for the Shannon Estate 1-24 Lease, Battery A, (Lease No. 18735), which was

shut in and temporarily abandoned before its 90 day administrative permit for 50 MCFD (Permit No. 20316) expired on April 30, 2015, and the Shannon Estate 1-33, Battery A, (Lease No. 18953), which has never flared gas and the applicant is withdrawing their flaring request for this lease.

The Harris Branch BB2-8 lease has a flare permit by Final Order No. 7C - 0294045 for 400 thousand cubic feet (MCFD) gas from the well from 11/21/2014, through 11/20/2015. Devon is now requesting a volume of 50 MCFD for two years from the 11/20/2015 expiration date through 11/20/2017.

The remaining three leases are Harris Branch BB2-10 Lease, the Shannon Estate Q-13 Lease and the Bennett BB2-6 Lease. These three leases are requesting to flare 50 MCFD for two years.

The Harris Branch BB2-10 had an administrative permit (No. 21244) to flare 44 MCFD from 02/13/2015 to 02/28/2015. The applicant is now requesting to flare 50 MCFD from the 03/09/2015 date of hearing request application, through 03/09/2017.

The Shannon Estate Q-13 had an administrative permit (No. 19848), to flare 44 MCFD from 10/19/2015 to 04/18/2015. The applicant is requesting to flare 50 MCFD from the date of the 03/09/2015 hearing request through 03/09/2017.

The Bennett BB2-6 Lease is requesting to flare 50 MCFD from the date of the 03/09/2015 hearing request, through 03/09/2017. Flaring from the lease did not occur before 03/16/2015, eight days after the flare application was filed.

Devon stated it only intends to flare gas until it becomes economical to connect to a gas pipeline. The Examiners recommend the exception be granted as requested by Devon.

DISCUSSION OF THE EVIDENCE

This part of the Lin (Wolfcamp) Field is in the early stages of development with horizontal wells, and there is currently limited gas gathering and transmission infrastructure. The nearest sales line is operated by DCP Midstream. The DCP line currently has limited available capacity. In addition, the gas produced from the subject leases has a high nitrogen content, which, untreated, limits its marketability via DCP so Devon entered talks with Lucid gathering company.

Devon selected Lucid as the gas gatherer in the area, and was working with Lucid to develop the necessary infrastructure for gas gathering and sales. However discussions with Lucid have ceased and Devon is considering constructing its own pipeline. According to Mr. Freeman, Devon would have to construct twenty miles of pipeline to connect to the West Texas Gas, (WTX) compressor station. Currently the construction of 20 miles of

pipeline would be approximately 2.5 million dollars. Devon's gas revenues over five years is based on the leases producing a combined 150 MCFD and revenues are expected to be approximately \$951,223.00. Devon estimates that constructing a 20 mile pipeline would create a loss of 1.5 million dollars. On 03/09/15, Devon requested a hearing to extend its flaring authority for the four leases pursuant to Rule 32 because the cost of constructing twenty miles of pipeline is cost prohibitive at current gas prices.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing.
2. On March 09, 2015, Devon requested a hearing to extend its flaring authority pursuant to Rule 32 for six leases.
3. At the hearing Devon withdrew it's flaring exception request for the Shannon Estate 1-24 and the Shannon Estate 1-33 leases.
4. The Harris Branch BB2-8 lease has a flare permit by Final Order No. 7C - 0294045 for 400 MCF/D gas from the well from 11/21/2014, through 11/20/2015. Devon is now requesting a volume of 50 MCFD for two years from the 11/20/2015 expiration date through 11/20/2017.
5. Authority to flare gas at a volume of 50 MCF/D for a period of two years, from 03/09/2015, through 03/09/2017 for the remaining three leases.
6. Devon has selected Lucid as the gas gatherer in the area, and is working with Lucid for construction of 20 miles of pipeline.
7. Currently the cost of constructing twenty miles of pipeline is cost prohibitive at current gas prices.
8. Devon stated it only intends to flare gas until it becomes economical to connect to a gas pipeline.
9. A two year flaring exemption will provide time for the pipeline to be completed and will account for anticipated delays in construction and preventing the waste of recoverable hydrocarbons.

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. The requested exception to flare 400 MCF/D casinghead gas for the subject well from November 21, 2014, through November 20, 2015, meets the requirements of Statewide Rule 32. 16 Tex. Admin. 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 subject leases as requested by Devon.

Respectfully submitted,


Richard Eyster, P.G.
Technical Examiner


Terry Johnson
Hearings Examiner