



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0297535

THE APPLICATION OF DEVON ENERGY PRODUCTION CO., L. P. FOR AN EXCEPTION TO STATEWIDE RULE 32 TO PERMIT FLARING OF GAS FROM THE KRAUSE LEASE, WELL NO. 1, DEWITT (EAGLE FORD SHALE) FIELD, DEWITT COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Ryan Lammert – Hearings Examiner

HEARING DATE: November 19, 2015

CONFERENCE DATE: January 12, 2016

APPEARANCES:

Olga Kobzar
Jeremy Brady

REPRESENTING:

Devon Energy Production Co., L. P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32) Devon Energy Production Co., L. P. (Devon) requests an exception to flare gas from its Krause Lease Well No. 1 in the DeWitt (Eagle Ford Shale) Field, DeWitt County, Texas. The Krause Well No. 1 is a gas well that produces large quantities of condensate. Pipeline service to the well was interrupted on December 17, 2014 when the existing pipeline was decommissioned prior to replacement. In order to continue to produce gas condensate liquids from the well, Devon obtained an administrative permit to flare gas from December 17, 2014 until June 17, 2015, the 180 day maximum allowed in Rule 32. Pipeline service was restored on July 24, 2015. By this application Devon seeks Commission authority to flare 220 thousand cubic feet (mcf) gas per day from June 17, 2015 until July 24, 2015. There is no longer a continuing need to flare gas from the well. The application was not protested. The Examiners recommend Devon's application be approved and the exception granted.

DISCUSSION OF EVIDENCE

The Krause Lease Well No. 1 was drilled by Weber Energy Corp., completed by Geosouthern Energy Corp., and is now operated by Devon. The well was completed on April 16, 2009. A Gas Well Classification Report (Form G-5) was submitted on December 13, 2009, indicating an initial gas-oil ratio of 3,144 standard cubic feet of gas per barrel of hydrocarbon liquids. On March 13, 2010, a fluid sample collected from the well demonstrated a heptanes-plus composition of 8.552 mole percent. A permanent gas well classification was issued for the well on March 29, 2010, on the basis of the heptanes-plus analysis.

The well entered production in December 2009. A pipeline connection at the wellhead has allowed gas produced from this well to be sold since the well entered production. Jeremy Brady, a production engineer for Devon, testified that in December 2014, Devon was notified by BHP, the current gathering pipeline operator, that the pipeline to the well was going to be decommissioned. BHP would be building a new pipeline to serve the well. Mr. Brady stated that Devon has a contractual obligation with BHP as the gatherer of gas produced from the well. On December 17, 2014, the pipeline was decommissioned.

Devon applied for an administrative exception to Statewide Rule 32 to flare natural gas from the well, which would allow Devon to continue to produce condensate (hydrocarbon liquids) from the well. In the alternative, Devon would have had to shut-in the well, risking the loss of reserves. Devon obtained administrative permit No. 20296 to flare 220 mcf gas per day from the well from December 17, 2014, through June 17, 2015, while BHP replaced the gathering pipeline. Mr. Brady stated that BHP did not efficiently communicate the construction schedule to Devon.

On June 12, 2015, Devon requested a hearing to extend the flaring authority until the pipeline was completed. On July 24, 2015, the pipeline connection to the well was restored, ending Devon's need for flaring authority.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Krause Lease Well No. 1 was completed on April 16, 2009.
3. The well is classified by the Commission as a gas well.
4. The well entered production in December 2009.
5. From December 2009 through December 17, 2014, the gas produced from the well was gathered through a BHP pipeline.

6. In December 2014, Devon was notified by BHP that the gathering pipeline was going to be decommissioned. On December 17, 2014, the pipeline was decommissioned.
7. Devon applied for an administrative exception to Statewide Rule 32 to flare natural gas from the well, which would allow Devon to continue to produce condensate (hydrocarbon liquids) from the well. In the alternative, Devon would have had to shut-in the well, risking the loss of reserves.
8. Devon obtained administrative permit No. 20296 to flare 220 mcf gas per day from the well from December 17, 2014, through June 17, 2015, while BHP replaced the gathering pipeline.
9. On June 12, 2015, Devon requested a hearing to extend the flaring authority until the pipeline was completed.
10. On July 24, 2015, the pipeline connection to the well was restored, ending Devon's need for flaring authority.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. Authority to flare 220 mcf gas per day from the Krause Lease Well No. 1, from June 17, 2015 through July 24, 2015, will allow Devon to continue to produce condensate from the well, preventing waste and protecting correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Devon Energy Production Co., L. P. to flare 220 mcf gas per day from the Krause Lease Well No. 1, from June 17, 2015 through July 24, 2015.

Respectfully submitted,



Paul Dubois
Technical Examiner



Ryan Lammert
Administrative Law Judge