



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

EXAMINERS' REPORT AND RECOMMENDATION

OIL AND GAS DOCKET NO. 01-0298787

THE APPLICATION OF LLEWELLIN OPERATING COMPANY, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE KUYKENDALL CENTRAL FACILITY, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0298788

THE APPLICATION OF LLEWELLIN OPERATING COMPANY, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE MAHONEY UNIT, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0298789

THE APPLICATION OF LLEWELLIN OPERATING COMPANY, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE WALKER LEASE, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Randall Collins – Administrative Law Judge

HEARING DATE: December 28, 2015

CONFERENCE DATE: February 3, 2016

APPEARANCES:

James M. Clark, P.E.

REPRESENTING:

Llewellyn Operating Company, LLC

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32) Llewellyn Operating Company, LLC (Llewellyn) seeks Commission authority to flare gas from the Kuykendall Central Facility, Mahoney Unit, and Walker Lease in the Eagleville (Eagle Ford-1) Field, McMullen County, Texas. Llewellyn currently holds administrative authority to flare gas from the subject facilities, and seeks authority to continue to flare for a period of two years. The subject facilities are connected to pipelines. However, the produced gas is sour and requires treatment prior to sales. The costs to treat the gas and bring it to pipeline sales specifications exceed the value of the gas. Therefore, Llewellyn requests continued authority to flare gas from the subject facilities. Specifically, Llewellyn requests authority to flare 600 thousand cubic feet (mcf) of gas per day from the Kuykendahl Central Facility, 400 mcf gas per day from the Mahoney Unit, and 300 mcf gas per day from the Walker Lease. The applications were not protested. The Examiners recommend the exceptions be granted.

DISCUSSION OF EVIDENCE

Llewellyn acquired the subject wells and facilities from Marathon Oil EF LLC on or about August 1, 2015. The situation of the facilities with regard to Llewellyn's request to flare gas are similar. In each case, a pipeline connection is available, but the wells have begun to produce sour gas at varying rates (from about 700 parts per million hydrogen sulfide on the Walker Lease to up to 60,000 parts per million hydrogen sulfide on the Mahoney Unit). As a matter of production economics, the cost to treat the gas so that it achieves pipeline sales specifications exceeds the value of the gas. In the case of the Walker Lease (which is located near a salt dome and the source of the sour gas is likely deeper Cretaceous-age formations), Llewellyn would have to build an amine unit to treat the high concentrations of hydrogen sulfide. Llewellyn also continues to pursue other disposition alternatives, such as constructing sour gas pipelines to available treatment or alternative sales points.

Llewellyn obtained administrative flaring permit no. 23188 for the Kuykendahl Central Facility (commingle permit no. 01-5611), which authorized Llewellyn to flare up to 635 mcf gas per day from August 1, 2015 through September 29, 2015. The authority was extended at a reduced rate of 300 mcf gas per day until November 29, 2015. On November 4, 2015, Llewellyn requested a hearing to extend the flaring authority for a period of two years. Llewellyn requests authority to flare up to 18,600 mcf gas per month, equivalent to an average daily rate of 600 mcf gas per day, from the Kuykendahl Central Facility.

Llewellyn obtained administrative flaring permit no. 23186 for the Mahoney Unit, (Lease No. 16728) which authorized Llewellyn to flare up to 800 mcf gas per day from August 1, 2015 through September 29, 2015. The authority was extended at a reduced rate of 405 mcf gas per day until November 29, 2015. On November 4, 2015, Llewellyn

requested a hearing to extend the flaring authority for a period of two years. Llewellyn requests authority to flare up to 12,400 mcf gas per month, equivalent to an average daily rate of 400 mcf gas per day, from the Mahoney Unit.

Llewellyn obtained administrative flaring permit no. 23187 for the Walker Lease (No. 16857), which authorized Llewellyn to flare up to 400 mcf gas per day from August 1, 2015 through September 29, 2015. The authority was extended at a reduced rate of 264 mcf gas per day until November 29, 2015. On November 4, 2015, Llewellyn requested a hearing to extend the flaring authority for a period of two years. Llewellyn requests authority to flare up to 9,300 mcf gas per month, equivalent to an average daily rate of 300 mcf gas per day, from the Walker Lease.

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. Llewellyn acquired the subject wells and facilities from Marathon Oil EF LLC on or about August 1, 2015.
3. For each of the three facilities, a pipeline connection is available, but the wells produce sour gas at varying rates (from about 700 parts per million on the Walker Lease to up to 60,000 parts per million on the Mahoney Unit).
 - a. The cost to treat the gas to meet sales specifications on the existing pipelines exceeds the value of the gas.
 - b. The Walker Lease is located near a salt dome and the source of the sour gas is likely deeper Cretaceous-age formations; an amine treating facility is necessary to treat the high concentrations of hydrogen sulfide at this facility.
 - c. Llewellyn continues to pursue other disposition alternatives, such as constructing sour gas pipelines to available treatment or alternative sales points.
4. Llewellyn has obtained administrative flaring permit no. 23188 for the Kuykendahl Central Facility, permit no. 23186 for the Mahoney Unit, and permit no. 23187 for the Walker Lease, which authorize Llewellyn to flare gas from the subject facilities.
5. Continued authority to flare gas on an intermittent basis will allow Llewellyn to continue to produce oil from the wells that supply the subject facilities.

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. Continued authority to flare gas will prevent waste of oil and condensate and protect 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 Llewellyn Operating Company LLC to flare gas from the subject facilities as requested for a period of two years from the expiration of its existing administrative permits.

Respectfully submitted,



Paul Dubois
Technical Examiner



Randall Collins
Administrative Law Judge