



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0300423

THE APPLICATION OF SILVER CREEK OIL & GAS LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CALAMITY JANE, WELL NO. 1H, LEVELLAND FIELD, COCHRAN COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Dana Lewis – Administrative Law Judge

HEARING DATE: June 27, 2016
SUBMISSION DATE: July 27, 2016
CONFERENCE DATE: August 9, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

George Neale
Donna Chandler, P.E.

Silver Creek Oil & Gas, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, Silver Creek Oil & Gas LLC ("SC") seeks an exception to flare casinghead gas from the Levelland Field ("Field") through its Calamity Jane Lease, Well No. 1H ("Subject Well"). Rosetta requests to flare up to 100 MCFGD (MCFGD represents 1,000 cubic feet of gas per day) from one flare stack that handles the Subject Well's production for a period of two years, effective June 8, 2016.

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 Background

Donna Chandler, P.E., a consulting petroleum engineer, testified on behalf of SC.

The Subject Well was completed in the Field on November 19, 2015.¹ On November 27, 2015, the Subject Well was tested for initial potential that resulted in 70 barrels of oil per day, 29 MCFGD, and 2,121 barrels of water per day. The Subject Well has cumulatively produced 22,277 barrels of oil and 18.6 billion cubic feet of gas.² SC applied for and received administrative permits to flare up to 350 MCFGD of casinghead gas from the Subject Well for 180 continuous days, effective December 9, 2015 (Flare Permit No. 25078). The average May 2016 production rates from the Subject Well were about 90 barrels of oil per day and 65 MCFGD.

Notice of hearing for the subject application was sent by U.S. mail directed to operators of record that immediately offset the subject lease, as well as the Oil & Gas Division on May 13, 2016.³ SC was the only party to appear at the June 27th hearing. SC submitted its hearing request for the subject application on May 5, 2016.⁴

In support of its position, SC submitted a copy of the Examiners' Report and Recommendation and Final Order made for Oil & Gas Docket No. 8A-0296814 – Application of Silver Creek Oil & Gas LLC for Exception to Statewide Rule 32 for the Wyatt Earp Lease, Well No. 1H, Levelland Field, Cochran County, Texas (“Analogue Case”). The surface location for SC's Wyatt Earp Lease, Well No. 1H (“Earp 1H”) is approximately 2.2 miles west of the Subject Well's surface location.⁵

The nearest gas sales pipeline to the Subject Well is also about 2.2 miles west, and it is operated by Targa Midstream Services, LLC (“Targa”).⁶ SC submitted a list of gas specifications required by Targa to accept produced gas for dispositive sales.⁷ That list indicates that Targa requires a minimum gas quality for hydrogen sulfide (“H₂S”), carbon dioxide (“CO₂”), Nitrogen (“N₂”), and total inerts (“TI”) as follows:

H₂S – less than 0.25 mol%
CO₂ – less than 2 mol%
N₂ – less than 1.25 mol%
TI – less than 3 mol%

¹ SC Exh. No. 4.

² SC Exh. No. 7.

³ SC Exh. No. 1.

⁴ See letter dated May 4, 2016 from Attorney George Neale to Docket Services in the subject application's hearing file.

⁵ SC Exh. No. 3.

⁶ SC Exh. No. 8.

⁷ SC Exh. No. 9.

SC submitted a gas/vapor fractional analysis report performed by Pantechs Laboratories, Inc. of a gas sample taken from the Subject Well on March 9, 2016. That report indicated that sample of gas consisted of numerous constituents across a range of mol-percent. Specifically, H₂S, CO₂, and N₂ were recorded at 5.732 mol%, 20.208 mol%, and 4.14 mol%, respectively. No measurement was indicated for TI in mol-percent.

Applicant's Argument

SC argued that the cost to build a gas gathering pipeline to transport casinghead gas from the Subject Well to Targa's gas sales pipeline is about \$92,000. In addition, the gas impurities previously mentioned cost an additional fee to treat and remove from the Subject Well's gas stream in order for Targa to accept it. SC alleged that although the Earp 1H is tied into Targa's gas sales pipeline, the treating and processing fees attributed to SC are greater than the gas sales revenue from that well. SC consequently sought a flaring exception in the Analogue Case based on that argument. The Commission granted SC authority to flare up to 300 MCFGD of casinghead gas produced from the Field through the Earp 1H. For the above reasons, SC believes that its requested relief in the instant case is reasonable.

FINDINGS OF FACT

1. Silver Creek Oil & Gas LLC ("SC") seeks an exception to flare up to 100 MCF of casinghead gas per day ("MCFGD") from the Levelland Field ("Field") through its Calamity Jane Lease, Well No. 1H, Cochran County, Texas ("Subject Well") (collectively "Subject Application").
2. Notice of hearing for the subject application was sent by U.S. mail directed to operators of record that immediately offset the subject lease, as well as the Oil & Gas Division on May 13, 2016.
3. SC was the only party that attended the hearing held for the Subject Application.
4. The Subject Well was completed in the Field on November 19, 2015.
5. On November 27, 2015, the Subject Well was tested for initial potential that resulted in 70 barrels of oil per day, 29 MCFGD, and 2,121 barrels of water per day.
6. The Subject Well has cumulatively produced 22,277 barrels of oil and 18.6 billion cubic feet of gas.
7. The average May 2016 production rates from the Subject Well were about 90 barrels of oil per day and 65 MCFGD.
8. SC requests to flare up to 100 MCFGD from one flare stack (MCFGD represents 1,000 cubic feet of gas per day) for a period of two years, effective June 8, 2016.

9. SC applied for and received administrative permits to flare up to 350 MCFGD of casinghead gas from the Subject Well for 180 continuous days, effective December 9, 2015 (Flare Permit No. 25078).
10. SC submitted its hearing request for the subject application on May 5, 2016.
11. The nearest gas sales pipeline from the Subject Well is operated by Targa Midstream Services, LLC (“Targa”), which is about 2.2 miles west of the Subject Well.
12. Casinghead gas produced from the Subject Field through the Subject Well contains impurities that render it not readily acceptable for entrance into Targa’s nearby gas sales pipeline.
13. The cost to build a gas gathering pipeline to transport casinghead gas from the Subject Well to Targa’s nearby gas sales pipeline is about \$92,000.
14. SC received similar relief to that requested by SC in the Subject Application for its Wyatt Earp Lease, Well No. 1H, Levelland Field, Cochran County, Texas in Oil and Gas Final Order 8A-0296814.
15. Approval of the subject application is reasonable and appropriate, in accordance with 16 Tex. Admin. Code §3.32(h).

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 flare up to 100 MCFGD from one flare stack (MCFGD represents 1,000 cubic feet of gas per day) for a period of two years, effective June 8, 2016, satisfies the requirements of Title 16 TAC §3.32.

EXAMINERS’ RECOMMENDATION

The Examiners recommend that the Commission grant Silver Creek Oil & Gas LLC an exception to flare up to 100 MCFGD from the Field through the Subject Well from one flare stack for a period of two years, effective June 8, 2016.

Respectfully submitted,

Brian Fancher, P.G.
Technical Examiner

Dana Lewis
Administrative Law Judge