



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL & GAS DOCKET NOS. 01-0299637, 01-0300288 AND 01-0300289**

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**THE APPLICATION OF SEA EAGLE FORD, LLC FOR EXCEPTIONS TO STATEWIDE RULE 32 FOR VARIOUS LEASES IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA AND MCMULLEN COUNTIES, AND IN THE BRISCOE RANCH (EAGLEFORD) FIELD, DIMMIT COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Dana Lewis – Administrative Law Judge

**HEARING DATE:** June 9, 2016

**CONFERENCE DATE:** August 24, 2016

**APPEARANCES:**

John Camp  
Mimi Winetroub

SEA Eagle Ford, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

SEA Eagle Ford, LLC seeks exceptions to 16 TAC §3.32 (Statewide Rule 32) to flare gas from the subject facilities. All wells are connected to sales pipelines. Initially the facilities produced sweet gas. After the facilities were acquired by SEA Eagle Ford, the associated wells began to produce sour gas, which requires either (1) treating, or (2) construction of sour gas pipelines and facilities to bring the gas to market. SEA Eagle Ford provided evidence to indicate that the costs to bring the gas to market exceed the value of the gas in each case. SEA Eagle Ford therefore requests authority to flare the sour gas for two years as follows: (1) 144 mcf/day from the two facilities identified in Docket No. 01-0299637; (2) 1,145 mcf/day from the three facilities identified in Docket No. 01-0300288; and (3) 2,263 mcf/day from the 18 facilities identified in Docket No. 01-0300289. The applications were not protested. The Examiners recommend the applications be granted.

### DISCUSSION OF THE EVIDENCE

SEA Eagle Ford requests exceptions to flare gas from a number of leases that produce from the Briscoe Ranch (Eagleford) and Eagleville (Eagle Ford-1) Fields in Dimmit, Atascosa and McMullen Counties, Texas. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. SEA Eagle Ford seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(D), as follows:

*The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)...if the operator of a well or production facility presents information to show the necessity for the release...*

Statewide Rule 32(h)(4) 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.*

Because SEA Eagle Ford requests an exception for more than 180 days and to flare more than 50 mcf of hydrocarbon gas per day, the procedure to address SEA Eagle Ford's request for an exception is through a hearing resulting in a final order signed by the Commission.

SEA Eagle Ford acquired the subject leases in August 2015. All of the wells and leases are connected to gas gathering or sales pipelines. SEA Eagle Ford provided evidence at the hearing that some of the subject leases have received administrative permits granting exceptions to Statewide Rule 32 authorizing gas to be flared at various rates for a period of time. Specifically, the two leases in Docket No. 01-029963 received the following administrative permits:

- Lagunillas Camp Lease (No. 15701) received Permit No. 23832 authorizing flaring 50 mcf/d for a period of 90 days from August 7, 2015 through November 5, 2015.
- Peeler Ranch Lease (No. 16559) received Permit No. 23833 authorizing flaring 200 mcf/d for a period of 90 days from August 7, 2015 through November 5, 2015.

Both permits expired on November 5, 2015. However, in both of these cases, SEA Eagle Ford had requested 180 day permits, which would have expired on February 3, 2016. On February 3, 2016 SEA Eagle requested a hearing to extend the flaring authority.

The Examiners requested copies of all administrative permits be late filed, to which SEA Eagle Ford testified that there were none beyond those two already in evidence. Nonetheless, in all cases, the administrative authority that had been granted to SEA Eagle Ford, if any, had

expired before a hearing was requested. Therefore, the Examiners recommend that the exceptions be granted with the hearing request date as a starting date for the two-year authority.

SEA Eagle Ford's current need to flare gas arises from two causes. First, SEA Eagle Ford's need for flaring authority is generally related operational issues in the production, compression and gathering systems. From time to time, unexpected issues arise in these systems and require the need to flare all or part produced gas. Second, many of the wells produce gas that contains hydrogen sulfide (H<sub>2</sub>S) content of the gas has increased over time and does not meet the gatherer's pipeline specifications. SEA Eagle Ford has conducted an economic analysis of the cost to either (1) obtain right-of-way and build a pipeline to the nearest sour gas sales point, or (2) install adequate treatment facilities at the existing sweet gas sales points. In all cases SEA Eagle Ford's analysis indicated the pipeline or treatment options were not economically viable. SEA Eagle Ford testified that it was developing a \$10 million capital project to improve the gas treatment and gathering systems to accommodate the sour gas and continued future development. Therefore, SEA Eagle Ford requests authority to flare gas produced from the subject leases as follows:

Lease No.	Lease Name	Requested Permit Rate (mcf/d)	Start Date	End Date	Expired Flare Permit No. in Evidence (if any)
<b>Docket No. 01-0299637</b>					
16559	Peeler Ranch (8 wells)	110	February 3, 2016	February 2, 2018	23833
15701	Lagunillas Camp (3 wells)	34	February 3, 2016	February 2, 2018	23832
		Total = 144			
<b>Docket No. 01-0300288</b>					
18374	Ammann EFS (2 wells)	1,006	April 15, 2016	April 14, 2018	Not in evidence
15493	Shook EFS (5 wells)	103	April 15, 2016	April 14, 2018	Not in evidence
15862	Tocquigny EFS (3 wells)	36	April 15, 2016	April 14, 2018	Not in evidence
		Total = 1,145			
<b>Docket No. 01-0300289</b>					
17153	Dusek EFS (4 wells)	40	April 15, 2016	April 14, 2018	Not in evidence
16335	Hoskins EFS (13 wells)	681	April 15, 2016	April 14, 2018	Not in evidence
16993	Lange E EFS (1 wells)	3	April 15, 2016	April 14, 2018	Not in evidence
17947	Me-You EFS (1 well)	272	April 15, 2016	April 14, 2018	Not in evidence
16338	Peeler EFS (2 wells)	18	April 15, 2016	April 14, 2018	Not in evidence
17544	Phelan EFS (3 wells)	371	April 15, 2016	April 14, 2018	Not in evidence
17067	Q Kiel EFS (3 wells)	53	April 15, 2016	April 14, 2018	Not in evidence
17114	Q-Ballard EFS (7 wells)	101	April 15, 2016	April 14, 2018	Not in evidence
16915	Quintanilla CCR EFS (2 wells)	43	April 15, 2016	April 14, 2018	Not in evidence
16909	Quintanilla SMEF (9 wells)	460	April 15, 2016	April 14, 2018	Not in evidence
17455	Quintanilla-White EFS (2 wells)	80	April 15, 2016	April 14, 2018	Not in evidence
16859	Shannon EFS (5 wells)	234	April 15, 2016	April 14, 2018	Not in evidence
15536	Teal Ranch EFS (1 well)	411	April 15, 2016	April 14, 2018	Not in evidence
15498	Tyler Ranch EFS (3 wells)	71	April 15, 2016	April 14, 2018	Not in evidence
16848	Wheeler EFS (2 wells)	41	April 15, 2016	April 14, 2018	Not in evidence
17229	Wheeler-White (2 wells)	84	April 15, 2016	April 14, 2018	Not in evidence
		Total = 2,963			

SEA Eagle Ford requests authority to flare up to 4,252 mcf/d for the subject leases for a period of two years. For 21 leases and about 81 wells, the requested authority averages to about 202 mcf/d flared per lease and 65 mcf/d per well.

### **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 the hearing.
2. SEA Eagle Ford acquired the subject leases in August 2015.
3. All of the wells and leases initially produced sweet gas, and all are connected to gas gathering or sales pipelines.
4. From time to time, unexpected operational issues in the production, compression and gathering systems occur. These issues result in the need to flare all or part produced gas.
5. Many of the wells produce gas that contains hydrogen sulfide (H<sub>2</sub>S), the content of which has increased over time. The H<sub>2</sub>S gas does not meet the gatherer's pipeline specifications.
6. Two leases in Docket No. 01-0299637 received the following administrative permits:
  - Lagunillas Camp Lease (No. 15701) received Permit No. 23832 authorizing flaring 50 mcf/d for a period of 90 days from August 7, 2015 through November 5, 2015.
  - Peeler Ranch Lease (No. 16559) received Permit No. 23833 authorizing flaring 200 mcf/d for a period of 90 days from August 7, 2015 through November 5, 2015.
7. No administrative flaring permits are in evidence for the leases in Docket Nos. 01-0300288 or 01-0300289.
8. SEA Eagle Ford has conducted an economic analysis of the cost to either (1) obtain right-of-way and build a pipeline to the nearest sour gas sales point, or (2) install adequate treatment facilities at the existing sweet gas sales points.
9. In all cases SEA Eagle Ford's analysis indicated the pipeline or treatment options were not economically viable. Therefore, SEA Eagle Ford requests authority to flare gas produced from the subject leases.
10. Exceptions to Statewide Rule 32 will enable SEA Eagle Ford to continue to produce hydrocarbon liquids, preventing the waste of those liquids and protecting their correlative rights.

**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. The requested two-year authority to collectively flare up to 4,252 mcf gas per day of casinghead gas derived from the Eagleville (Eagle Ford-1) Field in Atascosa and McMullen Counties, and the Briscoe Ranch (Eagleford) Field in Dimmit County, Texas, from the subject leases described herein, satisfies the requirements of 16 Tex. Admin. Code §3.32.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of SEA Eagle Ford, LLC for an exception to Statewide Rule 32 for a period of 2-years at the flare rates requested.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Dana Lewis  
Administrative Law Judge