



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0283005

THE APPLICATION OF SANCHEZ OIL AND GAS CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE KRAWETZ RANCH A UNIT, WELL NO. A-1H, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS

HEARD BY: Paul Dubois - Technical Examiner
Marshall Enquist - Legal Examiner

DATE OF HEARING: July 16, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

David Gross
Jennifer Ofsowitz

Sanchez Oil and Gas Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sanchez Oil and Gas Corporation (Sanchez) requests an exception to Statewide Rule 32 to flare 300 MCF/D of casinghead gas from the Krawetz Ranch A Unit, Well no. A-1H (API No. 507-32886), Briscoe Ranch (Eagleford) Field, Zavala County, Texas. There are no economically viable gas pipeline sales options near the subject well.

Notice was provided to offset operators surrounding the above referenced leases. The application is unopposed and the examiners recommend approval of exceptions to Statewide Rule 32 for the Krawetz Ranch A Unit, Well No. A-1H, as requested by Sanchez.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. In the

subject applications, Sanchez is requesting to flare gas produced by the subject well, as provided in Statewide Rule 32(h).

The subject well is completed in the Briscoe Ranch (Eagleford) Field, located in Zavala County, Texas. The oil well is currently producing about 20-50 BOPD, 200 MCF/D and 10-50 BWPD. Gas production has been somewhat variable. The well was originally drilled by Hess Corporation and completed July 4, 2012. The first oil production to sales occurred in July 2012, and the first gas production to flare occurred in August 2012. The well was purchased by Sanchez on June 1, 2013.

The area currently lacks infrastructure capacity for new gas production. The nearest gas connection is owned by Access Midstream and is about five miles to the northwest. Sanchez testified that Access is considering the construction of an extension that will bring the pipeline to within about one and a half miles from the subject well, but Access has not committed to these plans.

Alternatively, Sanchez estimates that it would cost more than \$1.7 million to construct a gathering line to the Access pipeline five miles away. Economic analysis indicates that such an expenditure would not be viable. In addition, Sanchez indicated that it has no plans for additional wells on the lease.

Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a particular well for 60 days. Such permit may be granted for a total of 180 days. Hess, the original owner of the well, applied for and received administrative permits to flare casinghead gas from the subject wells for a total of 180 days each.

Status	MCF/D	Issued	Expired
Flare Permit 11804, 45 days	500	07/30/12	09/13/12
Flare Permit 11804, 60 days	500	09/14/12	11/13/12
Well shut in 10/19/12 through 2/21/13			
Flare Permit 11804, 60 days	500	02/21/13	04/22/13
Flare Permit 11804, 40 days	500	04/22/13	06/01/13

The shut in period notwithstanding, the well has had flaring authority for 180 days. Before the final administrative permit extension expired, Sanchez requested a hearing to seek a Commission Final Order to continue to flare 500 MCF/D gas. At the hearing, Sanchez indicated that 300 MCF/D would be appropriate, consistent with production data provided at the hearing, and allow for potential variability in production rates for the one year term.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all offset operators in the Briscoe Ranch (Eagleford) Field at least ten days prior to the date of hearing. There were no protests to the application.
2. The subject well in this application is completed in the Briscoe Ranch (Eagleford) Field, located in Zavala County, Texas.
 - a. The well is located approximately 15.5 miles west of the town of Dilley, Texas, in an area that lacks existing oil and gas infrastructure for new production.
 - b. It is not currently economically viable to construct a pipeline to the nearest gas sales point.
3. Hess obtained an administrative permit (no. 11804) to flare up to 500 from July 30, 2012 to October 19, 2012, and from February 21, 2013 through June 2, 2013, for a total of 180 days.
4. The well is now owned by Sanchez.
5. Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
6. Sanchez requested a hearing seeking a Commission Final Order granting authority to flare 500 MCF/D for a period of one year; the hearing was requested before the administrative permit had expired.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested exception to Statewide Rule 32 to flare gas for the subject well will prevent waste, will not harm correlative rights, and will promote development of the field.

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 Krawetz Ranch A Unit, Well No. A-1H, as requested by Sanchez Oil and Gas Corporation.

Respectfully submitted,



Paul Dubois
Technical Examiner



Terry Johnson
Legal Examiner