

OIL AND GAS DOCKET NO. 01-0277663

**THE APPLICATION OF HESS CORPORATION FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE CENIZO RANCH LEASE, WELL NO. B-4H, IN THE EAGLEVILLE
(EAGLE FORD-1) FIELD, DIMMIT COUNTY, TEXAS**

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**THE APPLICATION OF HESS CORPORATION FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE TALBUTT TRUST LEASE, WELL NO. A-2H, IN THE EAGLEVILLE
(EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS**

OIL AND GAS DOCKET NO. 01-0277666

**THE APPLICATION OF HESS CORPORATION FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE TALBUTT TRUST LEASE, WELL NO. A-1H, IN THE EAGLEVILLE
(EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS**

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Randall Collins - Legal Examiner

DATE OF HEARING: September 6, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

David Gross
Jay Baker

Hess Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Hess Corporation ("Hess") requests an exception to Statewide Rule 32 to flare casinghead gas from the following wells in the Eagleville (Eagle Ford-1) Field:

<u>LEASE NAME</u>	<u>WELL NO.</u>
Cenizo Ranch	B-4H
Cenizo Ranch	B-3H
Talbutt Trust	A-2H
Talbutt Trust	A-1H

Notice was provided to offset operators surrounding the above referenced leases. These applications are unopposed and the examiners recommend approval of the applications, as requested by Hess.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCFGPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject applications, Hess is requesting to flare casinghead gas produced from the above listed wells through November 15, 2012, as provided by Statewide Rule 32(h).

The subject wells in this application are completed in the Eagleville (Eagle Ford-1) Field, in northeastern Dimmit and northwestern La Salle Counties, Texas. The Cenizo Ranch wells are located approximately 10 miles northeast of the town of Big Wells, Texas, and the Talbutt Trust wells are located approximately 11 miles northwest of the town of Cotula, Texas. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infrastructure for new gas production. Hess's new producing wells are 17.5 miles from any existing gas gathering infrastructure and produce casinghead gas containing 5,000 ppm H₂S.

Hess submitted a copy of the Commission Form W-2 filed for its Cenizo Ranch Lease, Well No. B-4H, that was completed in December 2011. The well produced 228

BOPD, 376 MCFGPD and 408 BWPD with a gas-oil ratio of 1,649 cubic feet per barrel. Hess received administrative Permit No. 11094 to flare 800 MCFPD of casinghead gas from its Cenizo Ranch Lease, Well No. B-4H. The permit was effective January 18, 2012, and expired on July 18, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Hess placed the well on pump in August 2012 and requests to flare 1,100 MCFPD of casinghead gas.

Hess submitted a copy of the Commission Form W-2 filed for its Cenizo Ranch Lease, Well No. B-3H, that was completed in December 2011. The well produced 208 BOPD, 260 MCFGPD and 232 BWPD with a gas-oil ratio of 1,250 cubic feet per barrel. Hess received administrative Permit No. 11093 to flare 800 MCFPD of casinghead gas from its Cenizo Ranch Lease, Well No. B-3H. The permit was effective January 18, 2012, and expired on July 18, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Hess requests to flare 350 MCFPD of casinghead gas.

Hess submitted a copy of the Commission Form W-2 filed for its Talbutt Trust Lease, Well No. A-2H, that was completed in July 2011. The well produced 213 BOPD, 197 MCFGPD and 361 BWPD with a gas-oil ratio of 924 cubic feet per barrel. Hess received administrative Permit No. 11089 to flare 1,000 MCFPD of casinghead gas from its Talbutt Trust Lease, Well No. A-2H. The permit was effective February 6, 2012, and expired on August 19, 2012, after four extensions, which totaled the maximum 180 days allowed by an administrative permit. Hess requests to flare 300 MCFPD of casinghead gas.

Hess submitted a copy of the Commission Form W-2 filed for its Talbutt Trust Lease, Well No. A-1H, that was completed in August 2011. The well produced 131 BOPD, 148 MCFGPD and 433 BWPD with a gas-oil ratio of 1,129 cubic feet per barrel. Hess received administrative Permit No. 11089 to flare 1,000 MCFPD of casinghead gas from its Talbutt Trust Lease, Well No. A-1H. The permit was effective February 6, 2012, and expired on August 19, 2012, after four extensions, which totaled the maximum 180 days allowed by an administrative permit. Hess requests to flare 500 MCFPD of casinghead gas.

Hess signed a gas gathering contract in April 2012 with Texstar Midstream Utility, LP ("Texstar"). Hess submitted a base map showing the infra-structural layout of a gas gathering pipeline system that Texstar is currently installing. The new gas gathering system will be 17.5 miles in length and have an estimated cost of \$8.5 million. Hess requests an exception to Statewide Rule 32 to flare casinghead gas produced from the subject wells through November 15, 2012. An exception to Statewide Rule 32 for the subject wells will give Texstar time to complete the new gas gathering system.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. There were no protests to the application.
2. The subject wells in this application are completed in the Eagleville (Eagle Ford-1) Field, in northeastern Dimmit and northwestern La Salle Counties, Texas.
 - a. The Cenizo Ranch wells are located approximately 10 miles northeast of the town of Big Wells, Texas, and the Talbutt Trust wells are located approximately 11 miles northwest of the town of Cotula, Texas.
 - b. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production.
 - c. The new producing wells are 17.5 miles from any existing gas gathering infrastructure and produce casinghead gas containing 5,000 ppm H₂S.
 - d. Cenizo Ranch Lease, Well No. B-4H, was completed in December 2011 and produced 228 BOPD, 376 MCFGPD and 408 BWPD with a gas-oil ratio of 1,649 cubic feet per barrel.
 - e. Cenizo Ranch Lease, Well No. B-3H, was completed in December 2011 and produced 208 BOPD, 260 MCFGPD and 232 BWPD with a gas-oil ratio of 1,250 cubic feet per barrel.
 - f. Talbutt Trust Lease, Well No. A-2H, was completed in July 2011 and produced 213 BOPD, 197 MCFGPD and 361 BWPD with a gas-oil ratio of 924 cubic feet per barrel.
 - g. Talbutt Trust Lease, Well No. A-1H, was completed in August 2011 and produced 131 BOPD, 148 MCFGPD and 433 BWPD with a gas-oil ratio of 1,129 cubic feet per barrel.
3. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
 - a. Hess Corporation ("Hess") received administrative Permit No. 11094 to flare 800 MCFPD of casinghead gas from its Cenizo Ranch Lease, Well No. B-4H. The permit was effective January 18, 2012, and expired on July 18, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.

- b. Hess received administrative Permit No. 11093 to flare 800 MCFPD of casinghead gas from its Cenizo Ranch Lease, Well No. B-3H. The permit was effective January 18, 2012, and expired on July 18, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
 - c. Hess received administrative Permit No. 11089 to flare 1,000 MCFPD of casinghead gas from its Talbutt Trust Lease, Well No. A-2H. The permit was effective February 6, 2012, and expired on August 19, 2012, after four extensions, which totaled the maximum 180 days allowed by an administrative permit.
 - d. Hess received administrative Permit No. 11089 to flare 1,000 MCFPD of casinghead gas from its Talbutt Trust Lease, Well No. A-1H. The permit was effective February 6, 2012, and expired on August 19, 2012, after four extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. Hess signed a gas gathering contract in April 2012 with Texstar Gas Processing, LP ("Texstar").
 - a. Texstar is currently installing a new gas gathering pipeline system.
 - b. The new gas gathering system will be 17.5 miles in length and have an estimated cost of \$8.5 million.
 - c. An exception to Statewide Rule 32 through November 15, 2012, for the subject wells will give Texstar time to complete the new gas gathering system.
5. An exception to Statewide Rule 32 through November 15, 2012, for the subject wells to flare casinghead gas is appropriate.
 - a. For its Cenizo Ranch Lease, Well No. B-4H, Hess requests to flare 1,100 MCFPD of casinghead gas.
 - b. For its Cenizo Ranch Lease, Well No. B-3H, Hess requests to flare 350 MCFPD of casinghead gas.
 - c. For its Talbutt Trust Lease, Well No. A-2H, Hess requests to flare 300 MCFPD of casinghead gas.

- d. For its Talbutt Trust Lease, Well No. A-1H, Hess requests to flare 500 MCFPD of casinghead gas.

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 authority pursuant to Statewide Rule 32 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 through November 15, 2012, for the subject wells in the Eagleville (Eagle Ford-1) Field, as requested by Hess Corporation.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

Randall Collins
Legal Examiner