



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0289142

**THE APPLICATION OF VENADO OIL AND GAS FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE HARKRIDER UNIT WELL NO. 1H, SOUTHERN BAY (EAGLEFORD)
FIELD, LEE COUNTY, TEXAS**

HEARD BY: Paul Dubois – Technical Examiner
Cecile Hanna – Hearings Examiner

HEARING DATE: June 11, 2014

APPEARANCES: **REPRESENTING:**

APPLICANT:

David Gross
Brenda Wise

Venado Oil & Gas

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Venado Oil & Gas (Venado) requests a one-year exception to Statewide Rule 32 to flare gas from its Harkrider Unit Well No. 1H in the Southern Bay (Eagleford) Field in Lee County, Texas. All offset operators in the field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject well as requested by Venado.

DISCUSSION OF THE EVIDENCE

The subject wells in this application are completed in the Eagle Ford Formation area of East-Central Texas. The area lacks existing oil and gas infrastructure for new production facilities, in particular gas gathering, processing, and transmission facilities. 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

application, Venado is requesting to flare gas produced by the subject well, as provided in Statewide Rule 32(h), for a limited time until appropriate gas facilities and connections can be completed.

The Harkrider Unit Well No. 1H is located 8.21 miles northeast from Giddings, Texas. The well was completed on October 18, 2013. On its 24-hour initial potential test the well produced 467 BO and 120 MCF gas with a gas-to-oil ratio (GOR) of 256 SCF/Bbl. The well has produced a total of 40,319 BOE through 195 days of production. Currently the well is producing about 150 BO and 65 MCF gas per day.

Venado and pipeline operator DCP are in the process of constructing pipeline facilities that will connect the Harkrider Unit well and wells on the adjoining Leona Luecke and Albert Luecke units with a DCP pipeline to the northeast. Venado does not believe that gas production from the Harkrider 1H well is sufficient to justify the costs associated with constructing the pipeline. However, the combined production from the several units should justify pipeline construction.

Venado requested and was granted an administrative permit to flare 125 MCF/D of casinghead gas from December 14, 2013, until June 13, 2014, for a total of 180 days. On May 6, 2014, Venado requested a hearing to extend the flaring authority. Venado is requesting a one-year extension of the Rule 32 exception while the pipeline connections are made. The exception will allow Venado to continue producing oil while the pipeline facilities are constructed. DCP and Venado are still working to obtain right-of-way access for the off-lease portions of the proposed pipeline route.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. There were no protests to the application.
2. The Harkrider Unit Well No. 1H was completed on October 18, 2013.
 - a. On its 24-hour initial potential test the well produced 467 BO and 120 MCF gas with a gas-to-oil ratio (GOR) of 256 SCF/Bbl.
 - b. The well has produced a total of 40,319 BOE through 195 days of production.
 - c. Currently the well is producing about 150 BO and 65 MCF gas per day
3. Venado requested and was granted an administrative permit to flare 125 MCF per day of casinghead gas from December 14, 2013, until June 13, 2014, for a total of

180 days. On May 6, 2014, Venado requested a hearing to extend the flaring authority

4. Pipeline connection possibilities for the casinghead gas are limited; Venado estimates that connecting to the DCP Midstream pipeline would not be economical for the one well. Venado is working with DCP Midstream to construct a pipeline connection for the subject well and several other nearby Venado wells to the DCP gas gathering infrastructure.
5. Venado is requesting the SWR 32 exception be granted to flare 100 MCFG/D for an additional 12 months to provide time for pipeline and facility construction.
6. The exception will allow Venado to continue producing oil while the pipeline facilities are constructed.

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 exceptions to Statewide Rule 32 to flare 100 MCF/D casinghead gas for the subject well for a period of one year will not harm correlative rights.

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 subject well, as requested by Venado.

Respectfully submitted,


Paul Dubois
Technical Examiner


Cecile Hanna
Hearings Examiner