



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0289654

**THE APPLICATION OF VENADO OIL AND GAS FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE ALBERT LUECKE UNIT 1H, SOUTHERN BAY (EAGLEFORD)
FIELD, LEE COUNTY, TEXAS**

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

HEARING DATE: July 9, 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 Albert Luecke Unit 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 150 MCF/D casinghead gas for a period of one year for the subject well as requested by Venado.

DISCUSSION OF THE EVIDENCE

The subject well in this application is 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 Albert Luecke Unit Well No. 1H is located 8.84 miles northeast from Giddings, Texas. The well was completed on November 13, 2013. On its 24-hour initial potential test the well produced 465 BO and 191 MCF gas with a gas-to-oil ratio (GOR) of 410 SCF/Bbl. The well has produced a total of 54,771 BOE through 195 days of production. Currently the well is producing about 200 BO and 95 MCF gas per day.

Venado and pipeline operator DCP are in the process of constructing pipeline facilities that will connect the Albert Luecke Unit well and wells on the adjoining Leona Luecke and Harkrider units with a DCP pipeline to the northeast. Venado does not believe that gas production from the Albert Luecke 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 175 MCF/D of casinghead gas beginning on December 24, 2013. The permit was extended until June 25, 2014, for a total of 180 days. The last 60 days of this period included a reduced permitted volume of 150 MCF/D, reflecting the well's production decline. On May 28, 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. With this request, Venado seeks authority to flare 150 MCF/D gas from the Albert Luecke Unit Well No. 1 from June 26, 2014 through June 25, 2015. Venado estimates acquisition of right-of-way agreements to require 60 to 80 days, and pipeline construction will require about six to eight months. The exception will allow Venado to continue producing oil while the pipeline facilities are constructed.

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 Albert Luecke Unit Well No. 1H was completed on November 13, 2013.
 - a. On its 24-hour initial potential test the well produced 465 BO and 191 MCF gas with a gas-to-oil ratio (GOR) of 410 SCF/Bbl.
 - b. The well has produced a total of 54,771 BOE through 195 days of production.

- c. Currently the well is producing about 200 BO and 95 MCF gas per day
3. Venado requested and was granted an administrative permit to flare 175 MCF per day of casinghead gas from December 24, 2013, until June 25, 2014, for a total of 180 days. The last sixty days of the authorization was for a reduced volume of 150 MCF per day. On May 18, 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 150 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. 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. The requested exception to flare 150 MCF/D casinghead gas for the subject well for a period of one year meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

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