



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0302719

THE APPLICATION OF CIMAREX ENERGY CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CULBERSON A FEE LEASE, WELL NO. 2, FORD WEST (WOLFCAMP) FIELD, CULBERSON COUNTY, TEXAS

HEARD BY:

Brian Fancher, P.G. – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: February 17, 2017
SUBMISSION DATE: May 9, 2017
CONFERENCE DATE: June 6, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Eno Peters, Attorney
Kelli Kenney, Attorney
Neil Longenbaugh

Cimarex Energy Co.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, Cimarex Energy Co. (Cimarex) seeks an exception to flare up to 125,000 cubic feet of casinghead gas per day (125 MCFD), produced from the Eagleville (Eagle Ford-1) Field (Field), through its Culberson A Fee Lease (Lease), Well No. 2 (Subject Well) for a period of two years, effective December 3, 2016 (Subject Application). The application is unopposed. The Administrative Law Judge and Technical Examiner (Examiners) recommend that it be approved.

DISCUSSION OF THE EVIDENCEApplicable Rule

16 Tex. Admin. Code §3.32 (SWR 32) governs flaring of natural gas produced under the jurisdiction of the Railroad Commission. Titled “Exceptions,” SWR 32(h) 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.

Application Background

Notice of hearing for the subject application was sent by U.S. mail directed to all operators in the Field that offset the Lease, as well as the Oil & Gas Division, on January 12, 2017.¹ By letter dated February 21, 2017, counsel on behalf of Cimarex confirmed that no other offset operators to the Lease existed, based on a search through the Commission’s Geographical Information System.²

Cimarex completed the Subject Well on April 26, 2013.³ Cimarex performed initial potential tests on the Subject Wells for a period of 24-hours that resulted in the following:⁴

<u>BOPD</u>	<u>MCFD</u>	<u>GOR</u>	<u>BOWD</u> ⁵
100	121	1,210	1,117

The Commission’s Oil and Gas Division administratively granted Cimarex multiple exceptions to flare casinghead gas from the Lease, totaling 180 days, as follows (Flare Permit No. 27445):⁶

<u>Effective Date</u>	<u>Expiration Date</u>	<u>Maximum MCFD</u>
1. 06/05/16	09/03/16	125
2. 09/04/16	12/03/16	125

On December 1, 2016, Cimarex submitted its written request for a hearing on the Subject Application.⁷

At one time, the Subject Well was connected to a gas market pipeline operated by a third-party company known as Delaware Basin (DB). However, that pipeline gathering system is no longer available because a gas plant associated with that system, known as the “Ramsey Plant”,

¹ Cimarex Exh. No. 2.

² See letter dated February 21, 2017 by Ms. Peters.

³ Cimarex Exh. No. 4, Pg. 1.

⁴ *Id.* Pg. 2.

⁵ BOPD, MCFD, GOR, and BOWD are short for barrels of oil per day, cubic feet of natural gas multiplied by 1,000, gas to oil ratio, and barrels of water per day, respectively.

⁶ Cimarex Exh. No. 5.

⁷ Cimarex Exh. No. 3.

was more or less rendered insufficient for use in December 2015 due to a fire.⁸ Mr. Longenbaugh stated that DB decided it was not economic to reactivate that pipeline gathering system after that event. He stated that Cimarex was subsequently provided notice by DB that the aforementioned gathering system would be shut-in, and the nearest, alternative gathering system is located 1.8 miles east of the original gathering system. He asserted that DB provided Cimarex with an estimate of \$1,000,000 to connect the Subject Well to that alternative gathering system. However, Cimarex determined that value to be uneconomic.

In support of its position, Cimarex submitted an economic analysis to demonstrate the cost to connect the Subject Well to DB's alternative gathering system located 1.8 miles east of the well.⁹ In summary, Cimarex asserted that the cost to build a transport pipeline from the Subject Well to DB's alternative gathering system would result in a net loss of \$905,660.30. As a result, Cimarex seeks relief from the Commission to flare up to 125 MCF per day from the Subject Well for a period of two years to provide it additional time in locating a reasonable gas market pipeline for the Subject Well's casinghead gas.

FINDINGS OF FACT

1. Cimarex Energy Co. (Cimarex) seeks an exception to flare up to 125,000 cubic feet of casinghead gas per day (125 MCFD), produced from the Eagleville (Eagle Ford-1) Field (Field), through its Culberson A Fee Lease (Lease), Well No. 2 (Subject Well) for a period of two years, effective December 3, 2016 (Subject Application).
2. Notice of hearing for the subject application was sent by U.S. mail directed to all operators in the Field that offset the Lease, as well as the Oil & Gas Division, on January 17, 2017.
3. Cimarex was the only party that attended the hearing held for the Subject Application.
4. The Lease contains one well in the Field, the Subject Well.
5. Cimarex completed the Subject Well on April 26, 2013.
6. Cimarex performed an initial potential test on the Subject Wells for a period of 24-hours that resulted in the following:

<u>BOPD</u>	<u>MCFD</u>	<u>GOR</u>	<u>BOWD¹⁰</u>
100	121	1,210	1,117

7. The Commission's Oil and Gas Division administratively granted Cimarex multiple exceptions to flare casinghead gas from the Lease, totaling 180 days, as follows (Flare Permit No. 27445):

⁸ Testimony at 8:25 of audio recording.

⁹ Cimarex Exh. No. 7.

¹⁰ BOPD, MCFD, GOR, and BOWD are short for barrels of oil per day, cubic feet of natural gas multiplied by 1,000, gas to oil ratio, and barrels of water per day, respectively.

<u>Effective Date</u>	<u>Expiration Date</u>	<u>Maximum MCFD</u>
06/05/16	09/03/16	125
09/04/16	12/03/16	125

8. On December 1, 2016, Cimarex submitted its written request for a hearing on the Subject Application.
9. At one time, the Subject Well was connected to a gas market pipeline operated by a third-party company known as Delaware Basin (DB) (collectively, DB's Original Pipeline).
10. DB's Original Pipeline is no longer available because a gas plant associated with that system, known as the "Ramsey Plant", was more or less rendered insufficient for use in December 2015 due to a fire.
11. The nearest, alternative DB gathering system is located 1.8 miles east of DB's Original Pipeline.
12. It is not economic to connect the Subject Well to a gas gathering pipeline, at this time.
13. Approval of the subject application is in accordance with 16 Tex. Admin. Code §3.32(h).

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. Legally sufficient notice has been provided to all affected persons.
3. The requested authority to flare casing-head gas as specified in Finding of Fact No. 1 above, effective December 3, 2016, satisfies the requirements of Title 16 TAC §3.32.

EXAMINERS' RECOMMENDATION

The Examiners recommend that the Commission grant Cimarex Energy Co. an exception to flare casing-head gas as specified in Finding of Fact No. 1 above from the Field for a period of two years, effective December 3, 2016.

Respectfully submitted,


 Brian Fancher, P.G.
 Technical Examiner


 Ryan Lammert
 Administrative Law Judge