



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0299679

THE APPLICATION OF SAMSON EXPLORATION, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR GAS FLARE PERMIT FOR THE BAILEY LEASE (RRC LEASE NO. 46379, PERMIT NO. 21631), PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, AND FOR THE BELLE LEASE (RRC LEASE NO. 43490, PERMIT NO. 27507), PHANTOM (WOLFCAMP) AND WOLFBONE (TREND AREA) FIELDS, REEVES AND PECOS COUNTIES, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATES: March 21, 2016, July 28, 2016, September 9, 2016
POST-HEARING MEETING: August 14, 2017

HALCON OPERATING CO., INC., LATE-FILED EXHIBIT RECEIVED: April 5, 2017

CONFERENCE DATE: September 19, 2017

APPEARANCES: **REPRESENTING:**

APPLICANT:

James M. Clark, P.E.

Robert Quarles

Samson Exploration, LLC and Halcon
Operating Co., Inc.

Samson Exploration, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Samson Exploration, LLC ("Samson") seeks an exception to Statewide Rule 32 (16, Tex. Admin. Code §3.32) to flare gas from the Bailey and Belle Leases, Phantom (Wolfcamp), Wolfbone (Trend Area), and Hoefs T-K (Wolfcamp) Fields, Reeves and Pecos Counties, Texas. All offset operators in the subject fields were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing.

After the initial hearing date and before the issuance of a final order, the Hearings Division was notified by Samson of further production, development, and that the subject leases were acquired by Halcon Operating Co., Inc. ("Halcon") from Samson. Halcon now requests the same exception to Statewide Rule 32 as stated in the captioned docket. Halcon also requests that their application be consolidated with Samson's. The Technical Examiner and Administrative Law Judge ("Examiners") recommend the applications be consolidated and approval of the exception to Statewide 32.

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 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

Samson was granted permits to flare casinghead gas from the subject leases that will be expiring. Halcon did not request a 180-day administrative permit, because they expect flaring will continue in volumes greater than 50 MCF per day. Halcon requests to merge their application with Samson's. Samson and Halcon are requesting an exception to Statewide 32 to flare casinghead gas for an additional period.

Date of Hearing: March 21, 2016

The first date of hearing was March 21, 2016, and Samson presented evidence for only the Bailey Lease, Well No. 2H ("Bailey"). The Bailey was completed in the Phantom (Wolfcamp) field in April 2015, and produces sweet gas. Samson reported that about 300 thousand cubic feet of gas per month ("MCFM") is used for lease fuel, and the remainder of the produced gas is sold to a Regency gas plant. There are times when Regency cannot take the gas because of operational problems at their plant, which results in the need for Samson to flare.

Samson had received administrative authority (Permit No. 21631) to flare up to 1,300 MCF per day ("MCFD") from the Bailey flare point from April 15, 2015 through May 29, 2015, up to 600 MCFD from July 1, 2015 through August 30, 2015, and up to 500 MCFD from January 1, 2016 through February 29, 2016. Their request for a hearing to renew the flaring authority was received on February 8, 2016. At the March 21st hearing, Samson requested authority to flare up to 15,000 MCFM, or an average of 500 MCFD, from the Bailey flare point from March 1, 2016 through February 28, 2018.

Continuation of Hearing: July 28, 2016

Samson communicated to the Hearings Division that development on the Bailey lease continued and Samson had added several wells to the Bailey flare point. As a result,

the requested flare volume changed. The hearing was noticed and re-opened on July 28, 2016 to accommodate the additional wells and the revised flaring volume request. Samson requested a revised volume of up to 6,000 MCFD from the Bailey flare point from March 1, 2016 through October 31, 2016.

During the hearing, Samson reported that another flare point on the adjacent Belle lease in Pecos County was being constructed, and would become the main flare point sometime in August 2016. Multiple wells on both the Bailey and Belle leases would be connected to the new location. Samson plans to cease flaring at the Bailey flare point and use the new Belle flare point for both the Bailey and Belle leases. Samson stated that the location of the Belle flare point was also more accessible to sales at two different Regency gathering lines and one Enterprise gathering line (contract pending). Samson considers these sales options should result in a reduced need to flare the gas from the wells.

Samson had not yet obtained administrative authority to flare from the Belle lease. Because of the different location and additional wells that would connect to the new Belle flare point, the hearing was recessed so that the docket could be amended and notice could be provided for a continued hearing date. Samson stated they would obtain an administrative permit for the Belle flare point, and requested authority to flare up to 15,000 MCFD from the Belle flare point from July 31, 2016 through July 31, 2018.

Continuation of Hearing: September 9, 2016

At the reconvened hearing on September 9, 2016, Samson presented evidence that administrative authority for the Belle flare point had been granted. Permit No. 27507 authorized flaring up to 15,000 MCFD of casinghead gas from the Belle Central Flare Point ("Belle") from July 31, 2016 through September 29, 2016. Samson requested authority to flare up to 15,000 MCFD from the Belle flare point for two years from July 31, 2016 through July 31, 2018.

Samson stated the Belle flare point became active in August 2016, and was usually the only flare point utilized for the Bailey and Belle leases. Samson requested the authorization for the Bailey flare point also be continued. Samson plans to use the Bailey for emergency purposes only, and the cumulative total of volume flared would not exceed 15,000 MCFD from both the Belle and Bailey flare points combined. Samson requested authority to flare up to 6,000 MCFD from the Bailey flare point from March 1, 2016 through July 31, 2018, which exceeds two years. The Examiners noted it has been practice for flaring authorizations to be granted for a maximum of two years. Samson stated they would not find it adverse to obtain a separate authorization for the Bailey flare point under a new docket, if it should be needed for operations of the lease.

Halcon Operating Co. Inc., Late-Filed Exhibit Received: April 5, 2017

In early March 2017, and before a Final Order was issued, the Hearings Division was notified that operation of the captioned leases was being transferred from Samson

to Halcon. On behalf of Halcon, Mr. Clark submitted a late filed exhibit¹ that demonstrated Halcon had acquired the Samson asset on March 1, 2017. Mr. Clark stated in correspondence included with the exhibit that, "they (Halcon) intend to use this asset in the same manner as I testified to on behalf of Samson during the hearing and would like the flare authority sought under this docket transferred to them from March 1 forward."

The late-filed exhibit also provided information requested by the Examiners that supported the acquisition had met the Commission's requirements. Wells connected to the Belle are shown on the table below.

WELL NAME	API NUMBER	RRC LEASE NO.	FIELD NAME
Adrianna 1H	42-371-39336	47205	Phantom (Wolfcamp)
Alexandra 11H	42-371-39037	43218	Wolfbone (Trend Area)
Bailey 1H	42-389-33493	48206	Hoefs T-K (Wolfcamp)
Bailey 2H	42-389-34598	48206	Hoefs T-K (Wolfcamp)
Balbo East Unit 1H	42-371-39369	47676	Phantom (Wolfcamp)
Balbo Southeast Unit 1H	42-371-39376	47666	Phantom (Wolfcamp)
Balbo West Unit 1H	42-371-39359	47518	Phantom (Wolfcamp)
Barbara State 1H	42-371-39259	48280	Phantom (Wolfcamp)
Belle 1H	42-371-38958	43490	Wolfbone (Trend Area)
Belle 4509	42-371-38893	43490	Wolfbone (Trend Area)
Berkley State 4612	42-371-38980	43919	Wolfbone (Trend Area)
Berkley State East Unit 1H	42-371-39318	46946	Phantom (Wolfcamp)
Berkley State West Unit 1H	42-371-39366	47669	Phantom (Wolfcamp)
Connie 1H	42-371-39234	46880	Phantom (Wolfcamp)
Donna State East Unit 1H	42-371-39391	48074	Phantom (Wolfcamp)
Donna State West Unit 1H	42-371-39389	48073	Phantom (Wolfcamp)
Ethel 7H	42-371-39093	45333	Wolfbone (Trend Area)
Faye East Unit 1H	42-371-39381	47918	Phantom (Wolfcamp)
Faye Northeast Unit 1H	42-371-39382	47919	Phantom (Wolfcamp)
Faye West Unit 1H	42-371-39360	47594	Phantom (Wolfcamp)
Geneva East Unit 1H	42-371-39353	47307	Phantom (Wolfcamp)
Geneva West Unit 1H	42-371-39375	47841	Phantom (Wolfcamp)
Joanne East Unit 1H	42-371-39302	47207	Phantom (Wolfcamp)
Lindsey 2507	42-371-39050	44581	Wolfbone (Trend Area)
Rebekah 4606	42-371-39032	44823	Wolfbone (Trend Area)
Sarah 609	42-371-39056	44794	Wolfbone (Trend Area)

Post-Hearing Meeting: August 14, 2017

Because of the progressive nature of the subject case, a post-hearing meeting was held with Mr. Clark. According to Halcon's late-filed exhibit, the field name and lease number had changed for the Bailey No. 1H Well (API No. 38933493) and the Bailey No. 2H Well (API No. 38934598) from when Samson was owner. Mr. Clark explained the change was a result of an administration decision to place both wells in the Hoefs T-K

¹ Halcon late-filed Exhibit No. 1.

(Wolfcamp) Field as a more accurate field designation.² He provided evidence that all the fields were within the same interval and stated that Commission staff, Mr. Rick Behal, had approved the revision.

As part of the operator transference, Mr. Clark clarified with Commission staff, Terry Edwards, the intent of Samson and Halcon and their requests.³ The requests from both Samson and Halcon for the captioned docket are as follows:

- (1) Samson is requesting authority to flare 6,000 MCFD from its Bailey Central Flare Point from March 1, 2016 through October 31, 2016;
- (2) Samson is requesting authority for flare 15,000 MCFD from its Belle Central Flare Point from July 31, 2016 through February 28, 2017; and
- (3) Halcon is requesting authority to flare 15,000 MCFD from its Belle Central Flare Point from March 1, 2017 through July 31, 2018.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. There were no protests to the application.
2. The hearing was continued on four separate days to accommodate operational changes in production, development, and ownership of the Bailey and Belle.
3. Multiple wells utilized the Bailey Central Flare Point before Samson transferred flaring to the Belle Central Flare Point.
4. The subject leases were acquired by Halcon from Samson before issuance of the final order.
5. Halcon requests the same exception to Statewide Rule 32 as Samson's request, and that their application be consolidated with Samson's.
6. A portion of the gas is used for lease fuel.
7. Most of the gas is sold to Regency and Enterprise. Because of system upsets, intermittent flaring may be necessary.

² Exhibits 1P and 2P.

³ Halcon late-filed Exhibit No. 1.

CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051.
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32.
3. The requested exception to flare casinghead gas 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 to flare casinghead gas as follows:

- (1) Samson is granted authority to flare up to 6,000 MCFD from the Bailey Central Flare Point from March 1, 2016 through October 31, 2016;
- (2) Samson is granted authority to flare up to 15,000 MCFD from the Belle Central Flare Point from July 31, 2016 through February 28, 2017; and
- (3) Halcon is granted authority to flare up to 15,000 MCFD from the Belle Central Flare Point between March 1, 2017 through July 31, 2018.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Jennifer Cook
Administrative Law Judge