



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0306350

THE APPLICATION OF CINCO OIL & GAS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE WILSON BROTHERS UNIT A LEASE, WELL NO. 1H, EAGLEVILLE (EAGLE FORD – 1) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Peggy Laird – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: October 23, 2017

CONFERENCE DATE: December 5, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Cinco Oil & Gas, LLC

Jeff Gordon
Doug J. Dashiell

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cinco Oil & Gas, LLC ("Cinco") seeks an exception to 16 Tex. Admin. Code § 3.32 (Statewide Rule 32) for the Wilson Brothers Unit A Lease, Well No. 1H ("the Lease"), (API 42-013-35306), in the Eagleville (Eagle Ford-1) Field, Atascosa County, Texas. Cinco seeks authority to flare up to 150 thousand cubic feet of casinghead gas per day ("MCFD") for a period of twenty-four months from August 16, 2017 through August 16, 2019. All offset operators in the subject field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend 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. Cinco seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)... if the operator of a well or production facility presents information to show the necessity for the release...

Statewide Rule 32(h)(4) 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.

Because Cinco requests an exception for more than 180 days and to flare more than 50 MCF of casinghead gas per day, the procedure to address Cinco's request for an exception is through a hearing resulting in a final order signed by the Commission.

The Wilson Brothers Unit A, Well No. 1H ("WB-1H Well") was completed on June 30, 2015, six miles southeast of the city of Charlotte in Atascosa County. The WB-1H Well was completed at a total vertical depth of 8,189 feet and measured depth of 17,790 feet. During the 24-hour initial potential test, the WB-1H Well produced 580 barrels of oil per day, 345 MCF of gas per day and 904 barrels of water per day. The gas-oil ratio was 594 standard cubic feet of gas per barrel of oil. The gas produced from the Lease is sour and contains 9,900 parts per million of hydrogen sulfide.

The previous operator received administrative authority (Permit No. 22761) for the Lease, effective July 10, 2015 through July 6, 2017, to flare up to 160 MCFD. As the new operator of the Lease, Cinco received administrative authority (Permit No. 28852) to flare up to 160 MCFD from January 13, 2017 through April 13, 2017. Cinco's authority to flare up to 175 MCFD was continued from April 14, 2017 through July 13, 2017.

An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application, if it has requested a hearing prior to the expiration of the administratively granted flare permit. Based on WB-1H Well's performance, Cinco considered it would not need further flaring authority by Commission order after July 13, 2017. Therefore, Cinco did not request a hearing prior to the expiration date of its administrative permit. Upon further review, Cinco realized a hearing to obtain continued authority to flare gas from the Lease was necessary. On August 16, 2017, Cinco requested a hearing to continue their flaring authority for the Lease for up to 150 MCFD from August 16, 2017 through August 16, 2019. The requested flaring authority will allow Cinco to continue production from the well.

Gas produced from the Lease is sour and requires treatment for sale. The closest pipeline that Cinco could connect to is 1.4 miles from the Lease. Cinco provided an economic analysis that estimates cost to connect to this pipeline is \$296,000. The pipeline would transport the gas to a transfer plant, and there would be additional fees for processing, gathering, and treating the sour gas, along with fuel usage. Cinco considers that costs to tie-in to sales is uneconomic due to the excessive fees and fuel usage, and requests an extension of their flaring authority.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice. There were no protests to the application.
2. The WB-1H Well is located approximately six miles southeast of the town of Charlotte in Atascosa County, Texas.

3. The Wilson Brothers Unit A, Well No. 1H, was completed at a total vertical depth of 8,189 feet and measured depth of 17,790 feet.
4. During the 24-hour initial potential test, the WB-1H Well produced 580 barrels of oil per day, 345 MCF of gas per day, and 904 barrels of water per day. The gas-oil ratio was 594 standard cubic feet of gas per barrel of oil.
5. Cinco's administrative flare permit for the Lease for up to 175 MCFD expired July 13, 2017.
6. Cinco requested a hearing on August 16, 2017, to obtain continued authority to flare up to 150 MCFD of casinghead gas from the Lease for twenty-four months.
7. The gas contains high amounts of hydrogen sulfide and must be treated prior to selling.
8. Cinco provided evidence that the cost to bring the sour gas to market is uneconomical.
9. Allowing Cinco to flare will prevent the waste of recoverable hydrocarbons.
10. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code §1.42.
3. The requested authority to flare casinghead gas satisfies the requirements of Statewide Rule 32. 16 Tex. Admin. Code §3.32 (h).
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on December 5, 2017.

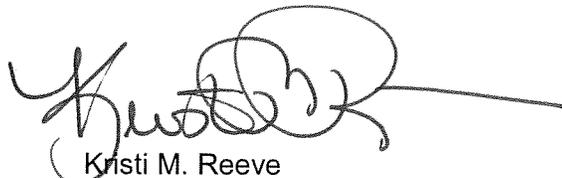
EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the application of Cinco Oil & Gas, LLC for an exception to Statewide Rule 32 for the Wilson Brothers Unit A Lease, Well No. 1H, Eagleville (Eagle Ford – 1) Field in Atascosa County, Texas.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge