



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0308056

THE APPLICATION OF FORGE ENERGY, LLC (276868) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR A WELL ON THE UL 21 PAHASKA LEASE (08-48511), PHANTOM (WOLFCAMP) FIELD, WINKLER COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

HEARING DATE: January 22, 2018

CONFERENCE: March 20, 2018

APPEARANCES:

Applicant

Rick Johnston, P.E.

REPRESENTING:

Forge Energy, LLC

REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Forge Energy, LLC ("Forge") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from the UL 21 Pahaska Lease ("Lease"), Phantom (Wolfcamp) Field, Winkler County, Texas. Forge was authorized through Commission Permit No. 30547 to flare gas associated with the Lease for a period of 180 days expiring on December 7, 2017. Forge is seeking continued authorization from the Commission for a two-year period to flare up to 500 thousand cubic feet per day ("mcf") of gas from the flare point.

Forge is currently selling produced gas through a natural gas pipeline connection but is seeking flaring authorization to address non-routine operational upsets and sales pipeline capacity limitations. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Lease. The technical examiner and the administrative law judge ("Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

The Lease has a single well, identified as the UL 21 Pahaska 1H Well ("1H Well"), completed in the Phantom (Wolfcamp) Field, in Winkler County, Texas. The Lease also has associated tank batteries, a connection to a sales pipeline, and a flare point. The 1H Well produces about 400 mcf/d of natural gas and about 334 barrels of oil per day (bopd).

Testimony from Mr. Rick Johnston P.E., established that casinghead gas produced from the Lease is sold via a sales pipeline, but non-routine operational upsets and sales pipeline capacity limitations have caused Forge to flare gas. Mr. Johnston's testimony indicated that Forge has incentives in their lease agreement to reduce flaring volumes, therefore flaring is only performed when gas cannot be sold via the sales pipeline. Production records from November 2016 through November 2017, indicate about 44 percent of the produced gas has been flared. Mr. Johnston testified that flaring was primarily performed because of sales pipeline capacity.

Mr. Johnston's testimony indicated Forge received administrative authority through Permit No. 30547, to flare a maximum volume of 333 mcf/d for two consecutive 60-day periods from June 8, 2017 to August 7, 2017; and August 8, 2017 to October 7, 2017. In addition, Forge received an additional 60-day administrative authority to flare a maximum volume of 500 mcf/d from October 8, 2017 to December 7, 2017. In summary, Forge received administrative flaring authority for 180 days from June 8, 2017 that expired on December 7, 2017.

On November 20, 2017, Forge requested a hearing to extend the flaring authority under Statewide Rule 32 to flare casinghead gas from a flare point associated with the Lease. A Notice of Hearing was issued by the Commission on December 12, 2017 to adjacent operators. A hearing was held on January 22, 2018.

Forge is seeking authority to flare casinghead gas to accommodate the average daily volume of gas produced from the 1H Well. Forge requested authority to flare up to 500 mcf/d from the flare point for a two-year period from December 8, 2017 to December 7, 2019.

The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Lease. The Examiners recommend the exception be granted.

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 hearing. There were no protests to the applications.
2. The Lease has a single well, identified as the UL 21 Pahaska 1H Well ("1H Well"), completed in the Phantom (Wolfcamp) Field, in Winkler County, Texas. The Lease

- also has associated tank batteries, a connection to a sales pipeline, and a flare point. The 1H Well produces about 400 mcf/d of natural gas and about 334 bopd.
3. The hearing established that casinghead gas produced from the Lease is sold via a sales pipeline, but non-routine operational upsets and sales pipeline capacity limitations have caused Forge to flare gas.
 4. Production records from November 2016 through November 2017, indicate about 44 percent of the produced gas has been flared.
 5. Forge received administrative authority through Permit No. 30547, to flare a maximum volume of 333 mcf/d for two consecutive 60-day periods from June 8, 2017 to August 7, 2017; and August 8, 2017 to October 7, 2017. In addition, Forge received an additional 60-day administrative authority to flare a maximum volume of 500 mcf/d from October 8, 2017 to December 7, 2017. In summary, Forge received administrative flaring authority for 180 days from June 8, 2017 that expired on December 7, 2017.
 6. Forge requested the hearing prior to the expiration of the administrative authority under Permit No. 30547. On November 20, 2017, Forge requested a hearing to extend the flaring authority under Statewide Rule 32 to flare casinghead gas from a flare point associated with the Lease. A Notice of Hearing was issued by the Commission on December 12, 2017 to adjacent operators.
 7. A hearing was held on January 22, 2018. Forge requested authority to flare up to 500 mcf/d from the flare point for a two-year period from December 8, 2017 to December 7, 2019.
 8. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Lease.
 9. Continued authority from the Commission to flare casinghead gas will allow Forge to produce oil and gas from the 1H Well. Without a Final Order authorizing the flaring, Forge will be required to shut-in the 1H Well causing waste and possible harm to the reservoir.
 10. In 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. 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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.43 and 1.45.

3. Forge has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding the requested authority to flare gas produced from the 1H Well connected to the subject flare point.
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 by the Commission.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter into an order granting the application of Forge to flare up to 500 mcf of gas from the flare point from the date of expiration of the administrative Permit No. 30547 for a period of two years. The proposed authorization will be from December 8, 2017 through December 7, 2019.

Respectfully submitted,



Robert Musick, P. G.
Technical Examiner



Jennifer N. Cook
Administrative Law Judge