



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL & GAS DOCKET NO. 8A-0312756**

---

**APPLICATION OF SEABOARD OPERATING CO FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CONDOR LEASE, NEWSON (YATES) FIELD, GAINES COUNTY, TEXAS**

---

**HEARD BY:** Richard Eyster, P.G – Technical Examiner  
Clayton J. Hoover – Administrative Law Judge

**HEARING DATE:** September 24, 2018

**CONFERENCE DATE:** October 16, 2018

<b>APPEARANCES:</b>	<b>REPRESENTING:</b>
Bill Hyenga Ed Runyon	Seaboard Operating Co

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Seaboard Operating Co ("Seaboard") (Operator No. 760960) requests an exception to flare gas from its Condor Lease (No. 69609) in the Newson (Yates) Field in Gaines County, Texas. Seaboard requests authority to flare up to 180 thousand cubic feet (mcf) of casinghead gas per day from the lease for a period of two years.

The gas produced from the Newson Lease contains high levels of nitrogen (20 percent), which requires treatment and removal before the gas can be sold. The cost to treat the casinghead gas is economically prohibitive. Therefore, Seaboard seeks authority to flare the gas. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the exception be granted.

### DISCUSSION OF THE EVIDENCE

Seaboard requests exceptions to flare gas from one flare point on the Condor Lease in the Newson (Yates) Field, Gaines County, Texas. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Seaboard seeks relief in the captioned docket pursuant to Statewide Rule 32(h)(4) as follows:

*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 Seaboard requests an exception for more than 180 days and to flare more than 50 mcf of hydrocarbon gas per day, the procedure to address Seaboard's request for an exception is through a hearing resulting in a final order signed by the Commission. Seaboard operates five wells on its Condor Lease in the Newson (Yates) Field in Gaines County, Texas. The casinghead gas produced from the wells contains about 20 percent nitrogen, which does not meet the specifications of the nearby DCP Midstream gathering system. Seaboard was treating the gas through the nearby Lynx nitrogen reject plant. However, the Lynx facility shut down on December 31, 2015.

Seaboard had obtained a final order (8A-0301279) to flare 190mcf/d gas from the lease from August 17, 2016 to August 16, 2018. The Final Order stated that flaring was necessary to do low volume and depressed gas value. In addition, DCP Midstream, the gas gatherer has cut-off gas purchases in the area. Therefore, Seaboard contends it does not have a market for the produced gas. Seaboard has met the two year limit of administrative exception authority provided by the final order. On June 28, 2018, Seaboard requested a hearing to extend the flaring authority for an additional two years.

Seaboard estimates the cost to build a nitrogen treatment plant to be about \$3.6 million, which would not be economical. Therefore, Seaboard requests authority to flare 180 mcf gas per day for a period of two years, from August 17, 2018 through August 16, 2020. Authority to continue to flare gas will allow Seaboard to continue to produce oil from the wells on the Condor Lease.

### 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.
2. Seaboard operates five wells on its Condor Lease in the Newson (Yates) Field in Gaines County, Texas.
3. The casinghead gas produced from the wells contains about 20 percent nitrogen, which does not meet the specifications of the nearby DCP Midstream gathering system.

4. Seaboard has obtained a final order (8A-0301279) to flare gas from the lease.
5. Seaboard does not have a market for the produced gas.
6. Seaboard estimates the cost to build a nitrogen treatment plant to be about \$3.6 million, which would not be economical.
7. Authority to flare 180 mcf gas per day for a period of two years, from August 17, 2018 through August 16, 2020, will allow Seaboard to continue to produce oil from the wells on the Condor Lease.

#### **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. Seaboard 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 Condor Lease.

#### **EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Seaboard Operating Co for an exception to Statewide Rule 32 to flare gas from the Condor Lease, Newson (Yates) Field, Gaines County, Texas.

Respectfully submitted,



Richard Eyster, P.G  
Technical Examiner



Clayton J. Hoover  
Administrative Law Judge