

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 08-0317866

APPLICATION OF PRIMEXX OPERATING CORPORATION (677852) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE MEEKER 109 LEASE, WELL NO. 10H, THE DENTON UNIT 68W, WELL NO. 1H, AND THE RED UNIT 136-137 LEASE, WELL NO. 10H, WOLFBONE (TREND AREA) FIELD (98359800), REEVES COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that after notice in the above-docketed case was provided to all parties entitled to notice, a hearing was heard on April 10, 2019 by a Commission Technical Examiner and Administrative Law Judge. This proceeding was duly submitted to the Commission at a conference held in its offices in Austin, Texas. After considering this matter, the Commission adopts the following findings of fact and conclusions of law.

Findings of Fact

1. Primexx Operating Corporation ("Primexx") seeks a two-year exception to Statewide Rule 32 ("Statewide Rule 32") for authority for the following leases, flare volumes and permit terms:
 - a. Meeker 109 Lease, Well No. 10H
 - i. Maximum flare volume of 300 thousand cubic feet day ("Mcf"), limited to 9,000 thousand cubic feet per month ("Mcfm").
 - ii. Permit term of March 1, 2019 to February 28, 2021.
 - b. Denton Unit 68W Lease, Well No. 1H
 - i. Maximum flare volume of 1,500 Mcfd, limited to 45,000 Mcfm.
 - ii. Permit term of March 27, 2019 to March 26, 2021.
 - c. Red Unit 136-137 Lease, Well No. 10H
 - i. Maximum flare volume of 1,250 Mcfd, limited to 37,500 Mcfm.
 - ii. Permit term of March 15, 2019 to March 14, 2021.
2. Primexx submitted a request for hearing on the Statewide Rule 32 exception flaring authority on January 29, 2019.
3. Primexx was previously granted administrative exceptions to Statewide Rule 32 for the following leases, flare volumes and administrative permit terms:

- a. Meeker 109 Lease, Well No. 10H
 - i. Administrative permit number 39776
 - ii. Maximum flare volume of 160 Mcfd.
 - iii. Permit term expiring February 28, 2021.

 - b. Denton Unit 68W Lease, Well No. 1H
 - i. Administrative permit number 39775
 - ii. Maximum flare volume of 1,400 Mcfd.
 - iii. Permit term expiring March 26, 2021.

 - c. Red Unit 136-137 Lease, Well No. 10H
 - i. Administrative permit number 33817
 - ii. Maximum flare volume of 2,500 Mcfd.
 - iii. Permit term expiring March 15, 2021.
4. On March 14, 2019 the Hearings Division of the Commission sent a Joint Notice of Hearing (“Notice”) to Applicant and all offsetting operators in the field setting a hearing date of April 10, 2019. Consequently, the parties received more than 10 days’ notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on April 10, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
5. The casinghead gas from the three leases is gathered by Saragosa Field Services, LLC (“Saragosa”).
6. For the Meeker 109 Lease, Well No. 10H:
- a. Approximately 3.8% of total lease gas production is being flared.
 - b. Restrictions in capacity result in Saragosa’s gas pipeline not being able to take 100% of the lease casinghead gas production.
 - c. Based on a table of historic lease gas disposition, the estimated volume of gas well gas to be flared would be a maximum of 300 Mcfd, limited to 9,000 Mcfm.
 - d. The requested Statewide Rule 32 exception to flare a maximum of 300 Mcfd, limited to 9,000 Mcfm, of gas well gas is necessary for Primexx to produce the recoverable hydrocarbon liquids from the lease.

7. For the Denton Unit 68W Lease, Well No. 1H:
 - a. The lease produces sour casinghead gas.
 - b. The cost of equipment to treat the Lease casinghead is \$156,000 which exceeds the net gas revenue expected to be gained from the sale of approximately 535,162 Mcf remaining reserves over the life of the well, making it uneconomical to install and operate the sour casinghead treatment facilities.
 - c. Primexx will be purchasing gas to be used for gas lift operations on the lease. It is uneconomic to recycle the purchased artificial lift gas that has been exposed in the wellbore to the sour casinghead gas. The combined estimated volume of casinghead gas and purchased artificial lift gas to be flared would be a maximum of 1,500 Mcfd, limited to 45,000 Mcfm.
 - d. The requested Statewide Rule 32 exception to flare a maximum of 1,500 Mcfd, limited to 45,000 Mcfm, of casinghead gas is necessary for Primexx to produce the recoverable oil from the lease.

8. For the Red Unit 136-137 Lease, Well No. 10H
 - a. The lease produces sour casinghead gas.
 - b. The cost of equipment to treat the Lease casinghead is \$156,000 which exceeds the net gas revenue expected to be gained from the sale of approximately 361,347 Mcf remaining reserves over the life of the well, making it uneconomical to install and operate the sour casinghead treatment facilities.
 - c. Primexx will be purchasing gas to be used for gas lift operations on the lease. It is uneconomic to recycle the purchased artificial lift gas that has been exposed in the wellbore to the sour casinghead gas. The combined estimated volume of casinghead gas and purchased artificial lift gas to be flared would be a maximum of 1,250 Mcfd, limited to 37,500 Mcfm.
 - d. The requested Statewide Rule 32 exception to flare a maximum of 1,250 Mcfd, limited to 37,500 Mcfm, of casinghead gas is necessary for Primexx to produce the recoverable oil from the lease.

9. At the hearing, Primexx agreed on the record that the Final Order in this docketed case is to be final and effective when a Master Order relating to this Final Order is signed.

Conclusions of Law

1. Proper notice was issued to persons entitled to notice. *See, e.g.*, Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. *See, e.g.*, Tex. Nat. Res. Code § 81.051.
3. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law unless authorized. 16 Tex. Admin. Code § 3.32(b).
4. Statewide Rule 32 provides exceptions allowing the flaring of gas if certain requirements are met and the flaring is necessary. *See, e.g.*, 16 Tex. Admin. Code § 3.32(f), (h).
5. Primexx has met the requirements in Statewide Rule 32 to flare casinghead gas and the flaring of such gas is necessary.
6. Pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and effective on the date a Master Order relating to this Final Order is signed.

Ordering Provisions

It is **ORDERED** that Primexx Operating Corporation (256915), Inc. ("Primexx") is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 300 Mcfd, limited to 9,000 Mcf per month, of casinghead gas from the flare stack located on the Meeker 109 Lease, Well No. 10H, from March 1, 2019, to February 28, 2021, as reflected in attached Attachment A is **APPROVED**.

Primexx's request for authority to flare a maximum of 1,500 Mcfd, limited to 45,000 Mcf per month, of casinghead gas from the flare stack located on the Denton Unit 68W Lease, Well No. 1H, from March 27, 2019, to March 26, 2021, as reflected in attached Attachment A is **APPROVED**.

Primexx's request for authority to flare a maximum of 1,250 Mcfd, limited to 37,500 Mcf per month, of casinghead gas from the flare stack located on the Red Unit 136-137 Lease, Well No. 10H, from March 15, 2019, to March 14, 2021, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Primexx shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the required fee for a Statewide Rule 32 exception for each individual flare point on each of the leases. See 16 Tex. Admin. Code § 3.32(h)(1).

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and the agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order is signed.**

Signed on August 6, 2019

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotected Master
Order dated August 6, 2019)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Permit Start Date	Permit End Date	Maximum Flare Volume (Mcf/d & Mcf/m)	Casinghead Gas or Gas Well Gas
39776	N/A	Meeker 109 Lease, Well No. 10H	March 1, 2019	February 28, 2021	300 Mcfd 9,000 Mcfm	Casinghead Gas
39775	N/A	Denton Unit 68W Lease, Well No. 1H	March 1, 2019	February 28, 2021	1,500 Mcfd 45,000 Mcfm	Casinghead Gas
33817	N/A	Red Unit 136-137 Lease, Well No. 10H	March 1, 2019	February 28, 2021	1,250 Mcfd 37,500 Mcfm	Casinghead Gas

Note:

Mcf/d = Thousand Cubic Feet Per Day

Mcf/m = Thousand Cubic Feet Per Month