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RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0308619

THE APPLICATION OF CONTINENTAL TREND RESOURCES, INC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HOLT STATE (09334) LEASE, WELL NO. 183H, HARTLEY WEST (CANYON) FIELD, HARTLEY COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: March 9, 2018
CONFERENCE DATE: April 24, 2018

APPEARANCES:	**REPRESENTING:**
Olga Kobzar Kerry Pollard	Continental Trend Resources, Inc

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Continental Trend Resources, Inc ("Continental Trend") seeks renewal of an exception to Statewide Rule 32 for the Holt State Lease, Well No. 183H, completed in the Hartley West (Canyon) Field. Continental Trend requests to extend its current exception to Statewide Rule 32 for a period of two years, to flare a maximum of 400 Mcfd. Notice of the application was provided to Fortay Inc. an offset operator in the field. The application is unprotested, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

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 Mcfd may be granted administratively for a period up to 180 days. Statewide Rule 32(j), *Opportunity for Hearing,* states that an operator may request a hearing on any application for an exception or exception renewal required by this section. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

Continental Trend seeks renewal of an exception to Statewide Rule 32 for the Holt State Lease, Well No. 183H, completed in the Hartley West (Canyon) Field. Continental Trend has received two prior exceptions to Statewide Rule 32 for the subject well. The most recent exception to Statewide Rule 32 for the Holt State Lease, Well No. 183H was granted in a Final Order in Oil and Gas Docket No. 10-0302720, which authorized Continental Trend to flare a maximum of 300 Mcfd of casinghead gas, effective December 28, 2016 to December 28, 2017. Continental Trend requests to flare a maximum of 400 Mcfd of casinghead gas from December 29, 2017 through December 28, 2019.

Continental Trend is not planning to drill any additional wells in the Hartley West (Canyon) Field in the Holt State Lease area in the future. The nearest gas sales line to the Holt State Lease, Well No. 183H that Continental Trend may be able to connect to is approximately 10 miles away. The casinghead gas produced from the Holt State Lease, Well No. 183H contains over 4% nitrogen and between 0.72 and 0.86% carbon dioxide. Most gas sales line do not accept more than 3% combined nitrogen and carbon dioxide, so the casinghead gas would have to be treated before going to a sales line. The estimated cost to install and connect 10 miles of pipeline, obtain right-of-way, survey costs, and treating the gas is $3,233,008. The estimated value of the remaining casinghead gas to be produced is $265,194. Currently it is uneconomic to treat the gas and install a pipeline to connect to the nearest gas sales line. If the application for an exception to Statewide Rule 32 is not granted, the subject well would have to be shut-in and 26,989 BO would go unrecovered.

Continental Trend agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. Notice of the application was provided to Fortay Inc., an offset operator in the Hartley West (Canyon) Field. There were no protests to the application.

2. Continental Trend seeks renewal of an exception to Statewide Rule 32 for the Holt State Lease, Well No. 183H, completed in the Hartley West (Canyon) Field.

3. The most recent exception to Statewide Rule 32 for the Holt State Lease, Well No. 183H was granted in a Final Order in Oil and Gas Docket No. 10-0302720, which

authorized Continental Trend to flare a maximum of 300 Mcfd of casinghead gas, effective December 28, 2016 to December 28, 2017.

4. Continental Trend requests to extend its current exception to Statewide Rule 32 for a period of two years, from December 29, 2017 through December 28, 2019, to flare a maximum of volume of 400 Mcfd of casinghead gas.

5. Currently, Continental Trend does not plan to drill any additional wells in the Holt State Lease, Well No. 183H area.

6. The nearest gas sales line that Continental Trend may be able to connect to is approximately 10 miles away.

   a. The casinghead gas produced from the Holt State Lease, Well No. 183H contains over 4% nitrogen and between 0.72 and 0.86% carbon dioxide.

   b. Most gas sales line do not accept more than 3% combined nitrogen and carbon dioxide, so the casinghead gas would have to be treated before going to a sales line.

   c. The estimated cost to install and connect 10 miles of pipeline, obtain right-of-way, survey costs, and treating the gas is $3,233,008.

   d. The estimated value of the remaining casinghead gas to be produced is $265,194.

   e. Currently, it is uneconomic to treat the gas and install a pipeline to the nearest gas sales line.

   f. If the application for an exception to Statewide Rule 32 is not granted, the subject well would have to be shut-in and 26,989 BO would go unrecovered.

7. Continental Trend agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.

2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.

4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed.

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 for the Holt State Lease, Well No. 183H to flare a maximum of 400 Mcfd of casinghead gas from December 19, 2017 through December 18, 2019 as requested by Continental Trend.

Respectfully submitted,

Karl Caldwell
Technical Examiner

Kristi M. Reeve
Administrative Law Judge