



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0294515

THE APPLICATION OF OCCIDENTAL PERMIAN LTD (P-5 OPERATOR NO. (617544) TO CONSTRUCT AND OPERATE A HYDROGEN-SULFIDE GAS PIPELINE, THE DENVER UNIT 24-INCH VALVE STATION NO. 2 TO WEST COMPRESSOR STATION PIPELINE, GAINES AND YOAKUM COUNTIES, TEXAS

APPLICATION REVIEWED BY: Brian Fancher, P.G. – Technical Examiner
DATE APPLICATION FILED: December 15, 2014
DATE APPLICATION RECEIVED: April 24, 2015
DATE REVIEWED: May 12, 2015
CONFERENCE DATE: June 9, 2015

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The subject application is unopposed. Accordingly, a public hearing was not held to consider the captioned docket.

Occidental Permian Ltd. ("OXY") seeks authority to construct and operate its proposed hydrogen-sulfide gas pipeline, the Denver Unit 24-inch Valve Station No. 2 to West Compressor Station Pipeline ("Pipeline"). As applied for by OXY, the Pipeline is classified as a new system. The Pipeline will be 24" in diameter, extend 6.1 miles in length, and carry up to 1,400 parts per million of hydrogen-sulfide gas ("H₂S") while transporting up to 52,000,000 cubic feet of natural gas per day (52,000 MCFGD). The subject application was made pursuant to 16 Tex. Admin. Code §§3.36, 3.70, and 3.106 ("Statewide Rules 36, 70, and 106).

The Commission's Oil and Gas Division has reviewed the subject application, and concluded that it satisfies the applicable requirements of Statewide Rules 36 and 106. The Commission's Pipeline Safety Division has also reviewed the subject application, with respect to Statewide Rule 70, and determined it satisfactory. Accordingly, the examiner recommends that the subject application be granted, as proposed by OXY.

DISCUSSION OF THE APPLICATION AND GOVERNING RULES

On December 15, 2014, OXY submitted its original application for the Pipeline to the Commission's Oil and Gas Division that included several requisite filings. OXY's Form PS-79

(Application for a Permit to Construct a Sour-Gas Pipeline Facility), Form T-4 (Application for Permit to Operate a Pipeline in Texas), and Form H-9 (Certificate of Compliance, Statewide Rule 36) indicate that the Pipeline will be a new pipeline system. The Pipeline's purpose is to transport produced natural gas laced with H₂S and carbon-dioxide ("CO₂"), and includes the following characteristics: (1) 24" outer diameter with 0.375" wall thickness; (2) 32,200 feet in length (6.1 miles); (3) constructed of API-5L-X-52 grade material; (4) maximum escape volume of 52,000 MCFGD; (5) 1,400 ppm of H₂S; and (6) a maximum operating pressure of 275 pounds per square inch ("psi").

On November 23, 2014, the subject application was published in the *Seminole Sentinel*, a newspaper having general circulation in Gaines County, Texas¹. A copy of the subject application was submitted with the Gaines County Clerk on November 20, 2014².

On November 23, 2014, the subject application was published in *The Denver City Press*, a newspaper of general circulation in Yoakum County, Texas.³ A copy of the subject application was also submitted with the Yoakum County Clerk on November 20, 2014.⁴

As proposed, the beginning of the Pipeline is located in Gaines County, Texas, roughly 3,100 feet south of County Road 230 and 3,600 feet west of State Highway 2055 (*i.e.*, the No. 2 Valve Station). From there, the Pipeline traverses northwesterly for 2.57 miles and crosses County Road 227 in Gaines County. Then, the Pipeline courses north for 1.55 miles, where it crosses State Highway 83 (the Pipeline enters Yoakum County during this segment). Finally, the Pipeline extends to the east for roughly 1.87 miles, crosses Waterline Road, and reaches its end point (*i.e.* the West Compressor Station).⁵

OXY calculates the Pipeline's 100 and 500 ppm Radii of Exposure ("ROE") of H₂S, measured from the center of the Pipeline, to extend 1,474 feet and 674 feet, respectively⁶. That is, OXY estimates that if the maximum escape volume (52,000 MCFGD) is released along any point of the Pipeline, then H₂S at concentrations of 100 ppm and 500 ppm will extend roughly 1,474 feet and 674 feet, respectively, from the Pipeline⁷.

The Commission's Oil and Gas Division and Pipeline Safety Division have reviewed the subject application and recommend approval. All pipeline materials will satisfy the requirements described in the latest editions of National Association of Corrosion Engineers (NACE) standard MR-01-075.

¹ See Affidavit of Publication signed on December 10, 2014 by Misty Ramirez, Advertising Agent of Seminole Sentinel.

² See Gaines County Clerk cashier receipt dated November 20, 2014.

³ See Affidavit of Publication signed on November 30, 2014 by Jeanine Graham, Vice President of Denver City Press.

⁴ See Yoakum County Clerk cashier receipt dated November 20, 2014.

⁵ OXY's pipeline route description found in the Notice of Application published in the *Seminole Sentinel* on November 23, 2014 for the Pipeline.

⁶ See Form H-9 dated December 5, 2014 and received by the Oil & Gas Division on December 15, 2014.

⁷ These estimations do not take wind direction or weather patterns into consideration.

FINDINGS OF FACT

1. Occidental Permian Ltd. ("OXY") seeks to construct its proposed Denver Unit 24-inch Valve Station No. 2 to West Compressor Station Pipeline ("Pipeline") located in Gaines and Yoakum Counties, Texas (the "subject application").
2. Publication of the subject application was made in the *Seminole Sentinel*, a newspaper having general circulation in Gaines County, Texas, on November 23, 2014.
3. Publication of the subject application was made in the *The Denver City Press*, a newspaper having general circulation in Yoakum County, Texas, on November 23, 2014.
4. Copies of the subject application were submitted to Gaines County Clerk and Yoakum County Clerk on November 20, 2014.
5. The Pipeline will transport up to 52,000,000 cubic feet of produced natural gas per day ("52,000 MCFGD") that contains up to 10,000 parts per million ("ppm" of hydrogen-sulfide ("H₂S")).
6. The Pipeline's maximum escape volume is 52,000 MCFGD.
7. OXY's general description of the Pipeline's course states the following: The beginning of the Pipeline is located in Gaines County, Texas, roughly 3,100 feet south of County Road 230 and 3,600 feet west of State Highway 2055 (*i.e.*, the No. 2 Valve Station). From there, the Pipeline traverses northwesterly for 2.57 miles and crosses County Road 227 in Gaines County. Then, the Pipeline courses north for 1.55 miles, where it crosses State Highway 83 (the Pipeline enters Yoakum County during this segment). Finally, the Pipeline extends to the east for roughly 1.87 miles, crosses Waterline Road, and reaches to its end point (*i.e.* the West Compressor Station)
8. The Pipeline's 100 ppm and 500 ppm radii of exposures extend 1,474 feet and 674 feet, respectively
9. Materials used to construct the Pipeline will satisfy the latest editions of the National Association of Corrosion Engineers standard MR-01-075.
10. Material to be used in, and the method of construction and operation of the Pipeline, comports with the Commission's applicable rules and safety standards.

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. Legally sufficient notice has been provided to all affected persons - 16 Tex. Admin. Code §3.106.

3. Pipeline materials and construction of the Pipeline meets the NACE standards - 16 Tex. Admin. Code §3.36.
4. OXY's subject application meets the requirements set forth in 16 Tex. Admin. Code §§3.36, 3.70, and 3.106.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiner recommends that the application of Occidental Permian Ltd., for Commission authority to construct and operate its proposed Denver Unit 24-inch Valve Station No. 2 to West Compressor Station pipeline be APPROVED.

Respectfully,



Brian Fancher, P.G.
Technical Examiner