



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0298475

THE APPLICATION OF THE APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE DARLENE UNIT, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS.

OIL AND GAS DOCKET NO. 02-0298478

THE APPLICATION OF THE APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE STOELTJE CENTRAL FACILITY, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS.

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: December 22, 2015

CONFERENCE DATE: February 3, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT: Encana Oil & Gas (USA) Inc.

John Soule
Dustin Freeman

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. (Encana) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) for the authority to flare gas from its Darlene Unit, and Stoeltje Central Facility, (Collectively the Units) Eagleville (Eagle Ford-2) Field, Karnes County, Texas.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the use of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. On September 14, 2015 Encana obtained a an administrative exception to Statewide Rule 32 (Permit No. 22858) to flare 100 MCFG/D gas from the Darlene Unit and Permit No. 22159 for the Stoeltje Central Facility. For the Darlene Unit the administrative permit expired on 10/28/2015. Encana obtained a an administrative exception to Statewide Rule 32 (Permit No. 22159) to flare 100 MCFG/D gas from the Stoeltje Central Facility. Encana requested and received extensions to the administrative permit for the maximum 180 days provided by Statewide rule 32. The administrative permits expired on 10/29/2015

On 10/01/2015 Encana requested a hearing to obtain a Final Order from the Commission authorizing the continued flaring of gas from the two units until it is economical to treat the casinghead Without such authority Encana stated they would have to shut in production from the two facilities, possibly resulting in waste of hydrocarbon reserves.

Encana requests an exception to Statewide Rule 32 to flare gas from wells on its Darlene Unit, and Stoeltje Central Facility, Eagleville (Eagle Ford-2) Field in Karnes County, Texas. The Darlene Unit and the Stoeltje Central Facility each flare an average of less than 50 mcf/day of sour casinghead gas with occasional peak rates of 77 mcf/day. Therefore Encana is requesting a monthly average of 2000mcf/month from both units for a period of 26 months from October 30, 2015 through December 31, 2017.

The casinghead gas produced from the two facilities has a higher H₂S content, 20 ppm for the Stoeltje Central Facility and greater than 200 ppm for the Darlene Unit than the available pipeline can take (4 ppm) and treating the casinghead gas to pipeline specifications is currently uneconomic. The Applicant stated that to treat and deliver the gas to market from the Stoeltje Cental Facility would result in an initial capital loss of \$185,000 dollars plus \$5,900 per month in chemical and compression costs. The treatment cost from the Darlene Unit is approximately \$170,000 and approximately \$5,200 per month.

The Examiners recommend that Encana be granted an exception to flare up to 2000 MCF/Month of casinghead from the Darlene Unit, and the Stoeltje Central Facility, Eagleville (Eagle Ford-2) Field, Karnes County, Texas.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing.

2. Encana obtained a an administrative exception to Statewide Rule 32 Rule 32 (Permit No. 22858) to flare 100 MCFG/D gas for 180 days from the Darlene Unit and Permit No. 22159 for the Stoeltje Central Facility.
3. On October 1, 2015, Encana requested a hearing to extend its flaring authority pursuant to Rule 32 for the Darlene Unit and the Stoeltje Central Facility.
4. Encana is requesting a monthly average of 2000mcf/month from both units for a period of 26 months from October 30, 2015 through December 31, 2017.
3. Currently the cost of treating the casinghead gas is cost prohibitive at current gas prices.
4. A twenty-six month flaring exemption will provide time for the two units to have the units flare below the 50 mcf/day limit or for gas prices to recover enough to be economical.
5. Allowing Encana to flare will prevent the waste of recoverable hydrocarbons

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. The requested exception to flare 2,000 MCF/month of casinghead gas for the two units from October 30, 2015 through December 31, 2017 meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h).

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 Darlene Unit and the Stoeltje Central Facility as requested by Encana.

Respectfully submitted,


Richard Eyster, P.G.
Hearings Examiner


Marshall Enquist
Administrative Law Judge