



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0299351

THE APPLICATION OF ENCANA OIL & GAS (USA) INC. TO CONSIDER EXCEPTIONS TO STATEWIDE RULE 32 FOR SIX FLARE POINTS IN THE SUGARKANE (EAGLE FORD) AND EAGLEVILLE (EAGLE FORD-2) FIELDS, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 02-0299763

THE APPLICATION OF ENCANA OIL & GAS (USA) INC. TO CONSIDER EXCEPTIONS TO STATEWIDE RULE 32 FOR TEN FLARE POINTS IN THE SUGARKANE (EAGLE FORD) AND EAGLEVILLE (EAGLE FORD-2) FIELDS, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 02-0299764

THE APPLICATION OF ENCANA OIL & GAS (USA) INC. TO CONSIDER EXCEPTIONS TO STATEWIDE RULE 32 FOR FOUR FLARE POINTS IN THE EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: April 13, 2016

CONFERENCE DATE: May 3, 2016

APPEARANCES:

REPRESENTING:

APPLICANT

Davin McGinnis
Jim Clark

Encana Oil & Gas (USA) Inc.

OBSERVER

Justin Houck

Pro se

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) Encana Oil & Gas (USA) Inc. ("Encana") seeks authority to flare gas from 20 flare points in the Sugarkane (Eagle Ford) and Eagleville (Eagle Ford-2) Fields in Karnes County, Texas. The Technical Examiner and Administrative Law Judge (collectively referred to as "the Examiners") chose to consolidate the these three dockets due to the common facts and parties of the cases.

Most of the produced gas is being sold or used for fuel in the field. The need to flare gas arises due to occasional mechanical issues, capacity curtailments on the gathering and transmission systems, or maintenance activities. The compressors and facilities are operating about 97 percent of the time. By this request, Encana will be able to continue to produce hydrocarbon liquids when mechanical or logistical issues arise. Together, the 20 flare points serve about 302 wells, about 90 percent of which are oil wells and the remainder gas wells. The cumulative authority to flare gas requested is 11.8 million cubic feet (MMCF) gas per day. This flare volume equates to slightly less than 40 thousand cubic feet (MCF) gas per day per well, which is below the threshold necessary to obtain a permanent administrative exception to flare gas. That is, Encana could obtain 302 permanent administrative exceptions if a flare point was located at each wellsite. The applications were not protested. The Examiners recommend the exceptions be granted.

DISCUSSION OF EVIDENCE

Encana requests an exception to flare gas from 20 flare points in the Sugarkane (Eagle Ford) and Eagleville (Eagle Ford-2) Fields in Karnes County, Texas. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas and casinghead gas produced under the jurisdiction of the Railroad Commission. Encana seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)...if the operator of a well or production facility presents information to show the necessity for the release...

Statewide Rule 32(h)(4) states:

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 Encana requests an exception for more than 180 days and to flare more than 50

MCF of hydrocarbon gas per day, the procedure to address Encana's request for an exception is through a hearing resulting in a final order signed by the Commission.

Encana acquired the subject assets in July 2014. Encana collects casinghead gas and gas well gas from multiple wells, sweetens it, utilizes a portion of the treated gas for lease fuel, and sends the majority of the treated gas into a transmission line for sales. Of the 20 flare points subject to these dockets, 14 are located at central facilities serving multiple leases and 6 are flare points that serve a single lease or pooled unit. In each case, the facilities have multiple compressors able to handle large production volumes. Encana continues to add and upgrade facilities as needed. Since acquisition, Encana has increased compressor operating time from 84.8 percent to 98.6 percent, and increased compressor and facility operating time from 74.2 percent to 97 percent. During 2015 Encana added or replaced 36 compressors. Encana continues to develop its acreage in 2016, with the newest wells entering production in March 2016.

To organize the administration of these applications, Encana has divided the flare points into three groups based on common production characteristics and technical challenges. The groups, tabulated on Attachment A, were docketed separately as follows:

Group 1: Docket No. 02-0299351

The six Group 1 flare points are characterized by infrequent and unpredictable compressor outages. New wells added to the system and increased production have contributed to the outages. To accommodate new wells and increased production, Encana has and will continue to upgrade and replace compressors as necessary. The process of adding or upgrading compressors can result in the need to flare large volumes of gas over relatively short periods of time. In addition, these facilities experience infrequent and unpredictable curtailment on gathering systems due to surges in production and compressor discharge pressures. These six flare points are all in the Sugarkane (Eagle Ford) and Eagleville (Eagle Ford-2) Fields.

Group 3: Docket No. 02-0299764

The four Group 3 flare points experience disruptions caused by third-party gas quality monitoring equipment that rejects gas that does not meet the minimum system specifications. These disruptions are unpredictable, immediate and are sometimes erroneous. When these disruptions occur, delays in the restoration of delivery are experienced while the issue is verified and corrected. Encana is working with the third-party equipment providers to improve monitoring accuracy, as well as working to ensure gas is within the specifications before delivery into the gathering system. These four flare points are all in the Eagleville (Eagle Ford-2) Field.

Group 2: Docket No. 02-0299763

The 10 flare points in Group 2 experience a combination of issues described above

for Groups 1 and 3. During down times Encana has two options for these facilities: (1) to produce the wells at lower rates and higher gas-oil ratios, which will result in lower oil recoveries; or (2) flare a small percentage of the gas production. These 10 flare points are all in the Sugarkane (Eagle Ford) and Eagleville (Eagle Ford-2) Fields.

For all of these flare points Encana has obtained administrative flare exceptions for the maximum of 180 days allowed under Statewide Rule 32. Encana seeks exceptions to Statewide Rule 32 to allow it to flare the volumes necessary to produce these wells during the infrequent and unpredictable facility down times. A summary of the 20 facilities and requested flare volumes is presented on Attachment A. Encana also requests that the authorized flare volumes, if granted, be stated in the Final Order as a monthly, not daily, volume to account for the irregular and infrequent nature of the occurrences coupled with the volume unpredictability of each occurrence.

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 hearing.
2. Encana acquired the subject wells in July 2014.
3. There are currently 302 producing oil or gas wells on the commingled leases subject to these three dockets.
 - a. Encana continues to add and upgrade facilities as needed.
 - b. Since acquisition, Encana has increased compressor operating time from 84.8 percent to 98.6 percent, and increased compressor and facility operating time from 74.2 percent to 97 percent.
 - c. During 2015, Encana has added or replaced 36 compressors.
 - d. Encana continues to develop its acreage in 2016, with the newest wells entering production in March 2016.
4. Authority to flare gas from the subject flare points will enable Encana to continue to produce hydrocarbon liquids from the subject wells at efficient production rates without loss of ultimate recovery.
5. The six Group 1 flare points subject to Docket No. 02-0299351 are all in the Sugarkane (Eagle Ford) and Eagleville (Eagle Ford-2) Fields and are characterized as follows:
 - a. Infrequent and unpredictable compressor outages;

- b. New wells added to the system and increased production have contributed to the outages;
 - c. The process of upgrading and replacing compressors can result in the need to flare large volumes of gas over relatively short periods of time; and
 - d. These facilities experience infrequent and unpredictable curtailment on gathering systems due to surges in production and compressor discharge pressures.
6. The four Group 3 flare points subject to Docket No. 02-0299763 are all in the Eagleville (Eagle Ford-2) Field and are characterized as follows:
 - a. Disruptions caused by third-party gas quality monitoring equipment rejecting gas that does not meet the minimum system specifications;
 - b. Disruptions are unpredictable, immediate and are sometimes erroneous;
 - c. When these disruptions occur, delays in the restoration of delivery are experienced while the issue is verified and corrected; and
 - d. Encana is working with the third-party equipment providers to improve monitoring accuracy, as well as working to ensure gas is within the specifications before delivery into the gathering system.
7. The 10 Group 2 flare points subject to Docket No. 02-0299763 are all in the Sugarkane (Eagle Ford) and Eagleville (Eagle Ford-2) Fields experience a combination of issues described above for Groups 1 and 3.
8. Most of the gas produced is used and/or sold.
9. The requested cumulative authority to flare gas, 11.8 MMCF gas per day, equates on average to slightly less than 40 MCF gas per day per well, which is below the threshold necessary to obtain a permanent administrative exception to flare gas.
10. Authority to flare gas will enable Encana to continue to efficiently produce these wells during the infrequent and unpredictable facility down times, thus preventing waste of liquid hydrocarbons and protecting correlative rights.

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 § 1.45.
3. Encana has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding Encana's requested authority to flare gas produced from the subject wells.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Encana Oil & Gas (USA) Inc. for authority to flare gas from 20 flare points in the Sugarkane (Eagle Ford) and Eagleville (Eagle Ford-2) Field, Karnes County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer Cook
Administrative Law Judge

**ATTACHMENT A
REQUESTED FLARE AUTHORITY**

Facility	Flare Permit No.	Surface Commingle Permit No.	No. of Wells	Historical Maximum Monthly Flare Rate (MCF/mo.)	Requested Monthly Flare Rate (MCF/mo.)	Requested Average Daily Flare Rate (MCF/day)	Average Daily Flare Rate per Well (MCF/day)
Group 1 Facilities							
Dickson-Allen / Patsy Clark	24939	02-5465	38	97,686	45,000	1,500	39
Patton Trust-South	24937	02-5469	35	131,023	45,000	1,500	43
Gramm / Richter	24929	02-5470	34	38,022	36,000	1,200	35
Patton Trust-North	24934	02-5468	23	248,756	45,000	1,500	65
Love Crews Central	24933	02-5512	25	45,981	30,000	1,000	40
Red Crest Central	24936	02-5514	24	24,414	25,000	833	35
Group 2 Facilities							
Opiela Fitch Central	24935	02-5466	15	464	1,500	50	3
Julie Lease	24943	n/a	15	464	1,500	50	3
Hailey McAlister Central	24930	02-5511	15	38,783	45,000	1,500	100
Zunker Central	24938	02-5474	12	418	15,000	500	42
Carmody Trust Central	24926	02-5434	11	1,396	1,500	50	5
Fox / Dziuk / Muenchow	24928	02-5467	11	14,337	1,500	50	5
Kotara-Ridley Central	24931	02-5678	12	3,539	15,000	500	42
Kowalik / Nieschwietz Central	24932	02-5259	8	928	1,500	50	6
Dougherty Central	24927	02-5895	1	7,754	7,500	250	250
Krawietz Unit	24944	n/a	1	7,754	7,500	250	250
Group 3 Facilities							
WRGM Unit	24945	n/a	6	5,294	6,000	200	33
Beicker Roberts Unit	24941	n/a	2	384	1,500	50	25
Cione Unit	24940	n/a	1	242	1,500	50	50
Diver Unit	24942	n/a	1	782	1,500	50	5