



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 02-0300031**

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**THE APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE STIEREN COATES FACILITY (LEASE NO. 02-10694) EAGLEVILLE (EAGLEFORD-2) FIELD, KARNES COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 02-0300032**

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**THE APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BETTY FACILITY (LEASE NO. 02-10727) EAGLEVILLE (EAGLEFORD-2) FIELD, KARNES COUNTY, TEXAS**

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**HEARD BY:** Richard Eyster, P.G. - Technical Examiner  
Dana Avant Lewis - Administrative Law Judge

**DATE OF HEARING:** May 15, 2016

**CONFERENCE DATE:** June 21, 2016

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**  
D. Davin McGinnis  
Jim Clark, P.E.

Encana Oil & Gas (USA) Inc.

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") requests an exception to 16 Texas Administrative Code §3.32 to flare casing-head gas from its Stieren Coates Facility (Lease No. 02-10694) and the Betty Facility (Lease No. 02-10727), (Subject Applications).

The application is not protested. The Administrative Law Judge and the Technical Examiner (collectively the Examiners) recommend approval of the application, as requested by Encana.

### DISCUSSION OF THE EVIDENCE

16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than 50 MCFGD may be granted administratively for a period up to 180 days. Furthermore, flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Statewide Rule 32 contains no notice of application requirements.

In the captioned docket, Encana Oil & Gas (USA) INC (Encana) requests an exception to Statewide Rule 32 to flare casinghead gas from wells on its Stieren Coates Facility (Lease No. 02-10694) and its Betty Facility, Lease No. 02-10727) for a period of two years, both leases are in the Eagleville (Eagle Ford-2) Field, Karnes County, Texas.

Encana was granted flaring authority for the Stieren Facility by Final Order No. 02-0295928 from March 29, 2015 to March 31, 2016 at a rate of 2,400 MCF per month. Additionally, Encana was granted flaring authority for the Betty Facility by Final Order No. 02-0295930 from March 29, 2015 to March 31, 2016 at a rate of 2,000 MCF per month.

On March 24, 2016 Encana requested a hearing to obtain an exception by Final Order for the Stieren Coates Facility and the Betty Facility for a period of two years.

#### STIEREN COATES FACILITY

The casinghead gas produced from the Stieren Coates Facility has a high H<sub>2</sub>S content (20,000) ppm. Mr. Clark testified that the nearest gas market pipeline is located 3.8 miles east of the Stieren 1H. Encana submitted an economic forecast of the financial expenses it anticipates if it is not granted the relief sought for the Stieren Coates Facility. Mr. Clark testified that it would cost roughly \$926,000 to build a transport gas pipeline from the Stieren Coates Facility to the nearest market gas pipeline located 3.8 miles away. He further testified that the Stieren Coates Facility produces sour gas ("H<sub>2</sub>S"), with a high H<sub>2</sub>S content (20,000ppm), and that it would cost roughly \$1,400 per day to sweeten the H<sub>2</sub>S-gas for market pipeline acceptance. Encana is also requesting that it be granted flexibility in flaring casinghead gas from the Stieren Coates Facility by allowing it a monthly volume limitation as opposed to a daily volume limitation. That is, Encana seeks to flare 2,400 MCFG per month from the Stieren Coates Facility. Encana argues that a monthly volume limitation will provide it greater ability to adhere to the Commission's flaring rules because the Stieren Coates Facility daily production varies from day to day. In other words, the Stieren Coates Facility daily production volumes naturally fluctuate. Encana is requesting to flare 2,400 mcf/month for a period of 24 months from March 31, 2016 through March 31, 2018.

In conclusion, Mr. Clark testified that Encana would incur a capital loss of \$1,046,095 if it were to build the mentioned 3.8 mile long gas pipeline. Therefore, Encana argues that it is not economic to market the casinghead gas from the Stieren Coates Facility.

BETTY FACILITY

Encana seeks authority to flare up to 2,000 MCFG per month from the Betty Facility for a period of two years, from March 31, 2016 through March 31, 2018. The casinghead gas produced from the Betty Facility also has a high H<sub>2</sub>S (>6,000ppm). Mr. Clark testified that the nearest gas market pipeline is located 5.8 miles east of the Betty Facility. Encana submitted an economic forecast of the financial expenses it anticipates if it is not granted its relief sought for the Betty Facility. He further testified that the Betty Facility wells produces H<sub>2</sub>S-gas, and that it would cost roughly \$420 per day to sweeten the H<sub>2</sub>S-gas for market pipeline acceptance. Encana requests that it be granted flexibility in flaring casinghead gas from the Betty Facility by allowing it a monthly volume limitation as opposed to a daily volume limitation. That is, Encana seeks to flare 2,000 MCFG per month from the Betty Facility. Encana argues that a monthly volume limitation will provide it greater ability to adhere to the Commission's flaring rules because the Betty Facility's daily production varies from day to day.

In conclusion, Mr. Clark testified that Encana would incur a capital loss of \$1,496,555 if it were to build the mentioned 5.8 mile long gas pipeline. Therefore, Encana argues that it is not economic to market the casinghead gas from the Betty Facility.

Encana believes that if the requested relief is not granted, then it will have to shut-in the two facilities which may result in harm to the wells served by the facilities.

FINDINGS OF FACT

1. Encana Oil & Gas (USA), Inc. seeks exception to 16 Texas Admin. Code §3.32 to flare casing-head gas derived from the Eagleville (Eagle Ford-2) Field at the Stieren Coates Facility, and Betty Facility ("Subject Leases") for a period of two years as follows:
  - a. Stieren Coates Facility: 2,400 MCF per month) from 03/31/2016 through 03/31/2018;
  - b. Betty Facility: 2,000 MCFG per month (67 MCF per day) from 03/31/2016 through 03/31/2018.
2. Notice of Hearing was provided to all immediate offsetting operators adjacent to the Subject Leases in Oil & Gas Docket Nos. 02-0300031 & 02-0300032, heard on May 13, 2016.
3. Encana received authority to flare casing-head gas volumes beyond 50 MCFGD the Subject Leases at the hearing held on April 17, 2015. a

4. Encana's authority to flare from each of the Subject Leases expired on the following days:
  - a. Stieren Coates Facility: 3/31/16
  - b. Betty Unit: 3/31/16
5. Encana submitted hearing requests to the Commission for the Subject Applications on March 24, 2016.
6. Encana has shown necessity for flaring beyond 180 days at volumes above 50 MCFG per day in the Subject Applications.
7. Approval of the Subject Applications is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32

**CONCLUSIONS OF LAW**

1. Resolution of the Subject Applications 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.
3. The requested rates and time frames to flare casing-head gas, as described in Finding of Fact No. 1, satisfies the requirements of Title 16 TAC §§3.32.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant exceptions to flare up casing-head gas from the Subject Leases as described in Finding of Fact No. 1 above.

Respectfully submitted,



Richard Eyster, P.G.  
Technical Examiner



Dana Avant Lewis  
Administrative Law Judge