



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0299945

THE APPLICATION OF EP ENERGY E&P COMPANY, L.P. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS CENTRAL PRODUCTION FACILITIES, BRISCOE RANCH (EAGLE FORD) AND PEARSALL (BUDA LIME) FIELDS, FRIO AND LA SALLE COUNTIES, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Marshall F. Enquist – Administrative Law Judge

HEARING DATE: May 5, 2016
SUBMISSION DATE: September 26, 2016
CONFERENCE DATE: October 11, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT:

Mark Hanna
Matt Immel

EP Energy E&P Company, L.P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, EP Energy E&P Company, L.P. (EP) seeks an exception to flare casinghead gas produced from the Briscoe Ranch (Eagle Ford) and Pearsall (Buda Lime) Fields (Fields) handled at nine central production facilities (CPFs) and two wells (Subject Application). The application is unopposed. The Examiners recommend that it be approved.

DISCUSSION OF THE EVIDENCE

Applicable Rule

16 Tex. Admin. Code §3.32 (SWR 32) governs flaring of natural gas produced under the jurisdiction of the Railroad Commission. Titled "Exceptions," SWR 32(h) 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.

Application Background

Matt Immel, Senior Facilities Engineering Coordinator at EP, testified on behalf of EP.

Notice of hearing for the subject application was sent by U.S. mail directed to all operators in the Field that offset the lease that contains each of the CPFs and Facilities in the Subject Application, as well as the Oil & Gas Division, on April 7th and May 6, 2016.¹ That notice of hearing indicates that EP's requested relief in the Subject Application is as follows:

<u>CPF or Facility</u>	<u>Permit No.</u>	<u>Expiration Date</u>	<u>Requested Volume (MCFD)</u>
Burns Ranch A 69H	24223	3/31/2016	500
Burns Ranch A CPF A	24229	3/31/2016	2,000
Burns Ranch A CPF B	24130	3/31/2016	2,200
Burns Ranch A CPF C	24131	3/31/2016	5,000
Burns Ranch A CPF D	24132	3/31/2016	2,000
Burns Ranch A CPF E	24133	3/31/2016	1,000
Burns Ranch A CPF F	24134	3/31/2016	5,000
Burns Ranch A CPF G	24135	3/31/2016	2,000
Carnes B 8H	24220	3/31/2016	200
Gemini 1H	24221	3/31/2016	1,000
Gemini A CPF	24128	3/31/2016	5,000

EP applied for, and received, administrative authority to flare casinghead gas for 180 consecutive days at the previously mentioned CPFs and Facilities, effective October 1, 2015 through March 31, 2016.

EP acquired the Burns Ranch and Gemini leases from Goodrich Petroleum, effective October 1, 2015. EP submitted an aerial map showing the locations of the Subject Leases. That map depicts well locations, pipeline infrastructure, and locations for each of the CPFs and Facilities in the Subject Application. That map also indicates that the Frio and La Salle County line traverses through the Burns Ranch Lease.

Burns Ranch Lease

EP largely sells low pressure, wet gas to South Cross from the Subject Leases. South Cross operates the gas market pipeline near Burns Ranch Lease. Each of the CPFs and Facilities in the Subject Application is connected to a gas market pipeline except for the Burns Ranch A 69H. The Burns Ranch A 69H is located roughly 1.9 miles away from the nearest gas market pipeline.² EP evidenced that it would cost \$500 thousand to connect the Burns Ranch A 69H CPF to the nearest gas sales pipeline. EP submitted calculations that show the net present value of the remaining casinghead gas and natural gas liquids from wells associated with the Burns

¹ EP Exh. No. 1.

² EP Exh. No. 3B.

Ranch A 69H CPF. That combined value is roughly \$275,000. Therefore, EP argued that building a pipeline to connect the Burns Ranch A 69H CPF to a gas market pipeline is not economic at this time.³

The remainder of EP's evidence is largely similar with regard to the remaining CPFs on the Burns Ranch, as previously mentioned. Each of those CPFs largely handles production from numerous horizontal wells. EP plans to further develop the Fields in the area by drilling additional horizontal wells in the future. Most, if not all, of those horizontal wells produce through gas lift. EP submitted multiple exhibits to demonstrate the flow process for each of the CPFs on the Burns Ranch Lease. EP evidenced that the requested flare volumes for each of the CPFs on the Burns Ranch is due to occasional compressor downtimes coupled with a forecasted volume of gas a CPF handles over roughly the next two years.⁴

Carnes B 8H

The Carnes B 8H Facility handles production from a single well, the Carnes B 8H. EP has no future wells planned to be drilled on that lease. The production from the Carnes B 8H is through gas lift. Once brought to the surface, that well's production enters the facility where the gas is immediately sold to market and the liquids are routed to either a bulk oil or bulk water storage tank battery.⁵ EP evidenced that if an upset occurs with that well's gas lift system, then it will need to flare up to 200 MCF per day because that is the volume of gas used to operate its gas lift system.

Gemini 1H

The Gemini 1H Facility also handles production from a single well, the Gemini 1H. The Gemini 1H is produced on gas lift similar to the Carnes B 8H. EP evidenced that it has plans to drill additional wells in the future on the Gemini Lease that will be served by the Gemini 1H Facility. EP forecasts that the average daily gas volume handled at the Gemini 1H Facility will be about 322 MCF over the next two years. However, EP evidenced that if an upset occurs with a well's gas lift system, then it will need to flare up to 1,000 MCF per day because that is the anticipated volume of gas used to operate its gas lift system.

Gemini A CPF

The Gemini A CPF currently handles production from four wells. EP has historically flared casinghead gas intermittently at that facility due to due to inadequate gas pipeline compression. EP forecasts that the average daily gas volume handled at that CPF will be roughly 743 MCF per day over the next two years. EP's requested relief as to the Gemini A CPF is also due to the occasional lack of pipeline compression.

³ EP Exh. No. 9A.

⁴ EP Exh. Nos. 3A through 6H.

⁵ EP Exh. No. 5I.

FINDINGS OF FACT

1. EP Energy E&P Company, L.P. (EP) seeks an exception to flare casinghead gas produced from the Briscoe Ranch (Eagle Ford) and Pearsall (Buda Lime) Fields (Fields) that is handled at various central production facilities and single well facilities for two years, effective April 1, 2016, as follows (Subject Application):

	<u>CPF or Facility</u>	<u>Permit No.</u>	<u>Expiration Date</u>	<u>Vol. (MCFD)</u>
a.	Burns Ranch A 69H	24223	3/31/2016	500
b.	Burns Ranch A CPF A	24229	3/31/2016	2,000
c.	Burns Ranch A CPF B	24130	3/31/2016	2,200
d.	Burns Ranch A CPF C	24131	3/31/2016	5,000
e.	Burns Ranch A CPF D	24132	3/31/2016	2,000
f.	Burns Ranch A CPF E	24133	3/31/2016	1,000
g.	Burns Ranch A CPF F	24134	3/31/2016	5,000
h.	Burns Ranch A CPF G	24135	3/31/2016	2,000
i.	Carnes B 8H	24220	3/31/2016	200
j.	Gemini 1H	24221	3/31/2016	1,000
k.	Gemini A CPF	24128	3/31/2016	5,000

2. Notice of Hearing for the subject application was sent by U.S. mail directed to all operators in the Field that offset the Burns Ranch, Carnes and Gemini Leases, as well as the Oil & Gas Division, on April 7, 2016 and May 6, 2016.
3. EP was the only party that attended the hearing held for the Subject Application.
4. EP applied for, and received, administrative authority to flare casinghead gas for 180 consecutive days at each of the Central Production Facilities (CPFs) and Facilities, as stated in Finding of Fact No. 1, effective October 1, 2015 through March 31, 2016.
5. Each of the CPFs on the Burns Ranch Lease is equipped with pipeline infrastructure to sell casinghead gas to market, except for the Burns Ranch A 69H CPF.
6. EP evidenced that it would cost roughly \$500 thousand to build a pipeline to connect the Burns Ranch A 69A CPF to the nearest gas market pipeline, which is 1.9 miles away.
7. EP evidenced that it is not economic at this time to build a pipeline to transport casinghead gas from the Burns Ranch A 69H CPF to the nearest gas market pipeline.
8. EP evidenced that casinghead gas is occasionally flared at the Burns Ranch A CPF A, B, C, D, E, F, and G due to a lack of gas pipeline compression.
9. EP's need to flare casinghead gas at the Carnes B 98H Facility, Gemini 1H Facility and Gemini A CPF is due to the anticipation that the gas lift systems associated with those facilities may go down in the future.
10. Approval of the subject application is in accordance with 16 Tex. Admin. Code §3.32(h).

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.
3. The requested authority to flare casing-head gas as specified in Finding of Fact No. 1 above, effective April 1, 2016, satisfies the requirements of Title 16 TAC §3.32.

EXAMINERS' RECOMMENDATION

The Examiners recommend that the Commission grant EP Energy E&P Company, L.P. an exception to flare casing-head gas as specified in Finding of Fact No. 1 above from the Field, effective April 1, 2016.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Marshall F. Enquist
Administrative Law Judge