



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0291057

THE APPLICATION OF EP ENERGY E&P COMPANY, LP, FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS CENTRAL PRODUCTION FACILITIES IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, DIMMIT AND LA SALLE COUNTIES, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Hearings Examiner

HEARING DATE: November 6, 2014

CONFERENCE DATE: January 27, 2015

APPEARANCES:

Mark Hanna
Matt Immel

REPRESENTING:

EP Energy E&P Company, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) EP Energy E&P Company, LP (EP) requests an exception to flare gas from seven central production facilities (CPF) in the Eagleville (Eagle Ford-1) Field in Dimmit and La Salle Counties, Texas.

For each of the seven CPFs, EP originally requested permanent exceptions to flare gas under Statewide Rule 32. At the hearing the Examiners informed EP that a permanent exception would not be recommended; the current practice of the Hearings Division is to recommend exceptions for two years or less. EP stated that it would not consider two-year exceptions to be adverse. The application was not protested. The examiners recommend two-year exceptions to Statewide Rule 32 as described below.

DISCUSSION OF EVIDENCE

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. Since January 2011, EP has built and now operates 27 CPFs in the Eagle Ford–21 of which are large facilities and six are smaller—and more than 300 miles of pipeline. This request pertains to seven CPFs in EP's Eagle Ford activities. Six of the CPFs are on contiguous acreage; the Scott-North facility is on discontinuous acreage about three miles north of its contiguous acreage.

Prior to sales, some of the gas requires treatment to remove H₂S and liquids. EP is selling most of the gas it produces at the subject facilities, however it believes the exceptions are necessary due to continued capacity issues such as unscheduled downtime, upset conditions, and high line pressures, all of which occur regularly in this area. These facilities have received administrative permits to flare casinghead gas for a total of 180 days each. On July 29, 2014, EP requested a hearing to extend the flaring authority.

For all of the subject facilities, EP has taken specific steps to de-bottleneck its gathering and, when necessary, treatment systems. Sour gas treatment has been consolidated at two Texstar facilities. EP provides production forecasts to Kinder Morgan to anticipate potential constraints on gas sales. EP has seen a 55 percent to 65 percent reduction in flaring since August 2014, as a result of these conservation measures. Each facility includes two flares. A low pressure flare is used to combust vapors coming off common oil and produced water storage tanks. A high pressure flare is used in the event of unscheduled downtime, upset issues, and high line pressures. The high pressure flare is sized for peak associated gas flow rates, including lift gas which, in some cases, is imported from off-lease.

Scott-North (Permit No. 15999)

The Scott-North CPF currently serves five wells. Additional wells are planned, but not until after 2015. Gas produced from these wells is wet and sour (9,000 ppm H₂S) and is sent by low-pressure pipeline to the Texstar Lancaster plant for treatment. The gas stream is treated by an H₂S scavenging vessel before flaring through the high pressure flare. EP has flared varying amounts of gas per day at this CPF since February 2014, with a maximum of 4,156 MCF flared on May 24, 2014. Current daily gas production is about 2,700 MCF per day and is expected to decline. In addition, EP imports lift gas to the lease, and the lift gas may also require flaring during emergency conditions.

Ritchie Farms South (Permit No. 15997)

The Ritchie Farms South CPF is a large facility receiving sweet gas from a number

of wells on the Ritchie Farms lease. Gas produced through this facility is compressed at the CPF then sold into Kinder Morgan Camino Real Pipeline. EP has flared varying amounts of gas per day at this CPF since February 2014, with a maximum of 1,878 MCF flared on August 20, 2014. Current daily gas production is about 3,500 MCF per day.

Ritchie Farms Southwest (Permit No. 15996)

The Ritchie Farms Southwest CPF is a large facility receiving sweet gas from a number of wells on the Ritchie Farms lease. Gas produced through this facility is compressed at the CPF then sold into Kinder Morgan Camino Real Pipeline. EP has flared varying amounts of gas per day at this CPF since February 2014, with a maximum of 6,062 MCF flared on May 12, 2014—an anomalously high volume not representative of regular flaring needs. Current daily gas production is about 12,000 MCF per day. If and when dn

Ritchie Farms North (Permit No. 15998)

The Ritchie Farms North CPF is a large facility receiving sour gas from a number of wells on the Ritchie Farms lease. Gas produced through this facility is wet and sour and is sent by low-pressure pipeline to the Texstar Valley Wells Road Treatment Plant. Treated gas is transmitted to the Kinder Morgan Camino Real Pipeline. EP has flared varying amounts of gas per day at this CPF since February 2014, with a maximum of 4,975 MCF flared on July 28, 2014. Current daily gas production is about 5,000 MCF per day.

Hinojosa (Permit No. 15993)

The Hinojosa CPF is a large facility receiving sour gas from a number of wells on the Hinojosa lease. Gas produced through this facility is wet and sour and is sent by low-pressure pipeline to the Texstar Valley Wells Road Treatment Plant. Treated gas is transmitted to the Kinder Morgan Camino Real Pipeline. EP has flared varying amounts of gas per day at this CPF since February 2014, with a maximum of 5,526 MCF flared on October 29, 2014, the result of a catastrophic compressor failure. Current daily gas production is about 8,200 MCF per day.

Whitwell (Permit No. 15994)

The Whitwell CPF is a large facility receiving sour gas from a number of wells on the Whitwell lease. Gas produced through this facility is wet and sour and is sent by low-pressure pipeline to the Texstar Valley Wells Road Treatment Plant. Treated gas is transmitted to the Kinder Morgan Camino Real Pipeline. EP has flared varying amounts of gas per day at this CPF since February 2014, with a maximum of 6,680 MCF flared on July 29, 2014. Current daily gas production is about 14,500 MCF per day.

Scott (Permit No. 15995)

The Scott CPF is a large facility receiving sour gas from a number of wells on the Scott Ranch lease. Gas produced through this facility is wet and sour and is sent by low-pressure pipeline to the Texstar Valley Wells Road Treatment Plant. Treated gas is transmitted to the Kinder Morgan Camino Real Pipeline. EP has flared varying amounts of gas per day at this CPF since February 2014, with a maximum of 7,612 MCF flared on June 18, 2014. Current daily gas production is about 10,400 MCF per day.

For each of the seven CPFs, EP is requesting authority to flare up to 5,000 MCF gas per day from August 20, 2014, through August 19, 2016.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing. There were no protests to the application.
2. The seven central processing facilities operated by EP Energy E&P Company, LP, subject to this matter are the: Scott-North; Ritchie Farms South; Ritchie Farms Southwest; Ritchie Farms North; Hinojosa; Whitwell; and Scott.
3. These central processing facilities have received administrative permits to flare casinghead gas as follows: Scott-North (Permit No. 15999); Ritchie Farms South (Permit No. 15997); Ritchie Farms Southwest (Permit No. 15996); Ritchie Farms North (Permit No. 15998); Hinojosa (Permit No. 15993); Whitwell (Permit No. 15994); and Scott (Permit No. 15995).
4. The administrative permits have been extended for a total of 180 days each, the maximum time allowed under Statewide Rule 32.
5. On July 29, 2014, EP requested a hearing to extend the flaring authority.
6. EP requested permanent exceptions to Statewide Rule 32; EP stated that it would not consider two-year exceptions to be adverse.
7. EP requests authority to flare 5,000 MCF per day from each of the seven central production facilities.
8. Some of the gas produced through the subject facilities requires treatment to remove H₂S and liquids.

9. The gathering, treatment and transmission systems available to EP are regularly experiencing capacity issues such as unscheduled downtime, upset issues, and high line pressures.
10. EP has taken specific steps to de-bottleneck its gathering and, when necessary, treatment systems.

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. The requested exception meets the requirements of Statewide Rule 32. 16 Tex. Admin Code § 3.32

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend EP Energy E&P Company, LP, be granted authority to flare up to 5,000 MCF gas per day from each of the seven subject central processing facilities, for a period of two years.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Hearings Examiner