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RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0307133

THE APPLICATION OF VALENCE OPERATING COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CHARLOTTE TANK BATTERY, EAGLEVILLE (EAGLE FORD-1) AND INDIO TANKS (PEARSALL) FIELDS, ATASCOSA AND MCMULLEN COUNTIES, TEXAS

OIL & GAS DOCKET NO. 01-0307135

THE APPLICATION OF VALENCE OPERATING COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32 TO FLARE GAS FROM THE PEARCE TANK BATTERY, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: November 20, 2017

CONFERENCE DATE: January 23, 2018

APPEARANCES:

Rick Johnston, P.E.

REPRESENTING:

Valence Operating Company

REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32) Valence Operating Company ("Valence") seeks Commission authority to flare gas from the Pearce and Charlotte Tank Batteries, in the Eagleville (Eagle Ford-1) and Indio Tanks (Pearsall) Fields, located in Atascosa and McMullen Counties, Texas. Valence has Commission authorization to flare gas through a final order for the Pearce Tank Battery in O&G Docket

No. 01-0298660, approved on February 3, 2016; and the final order for the Charlotte Tank Battery in O&G Docket No. 01-0298661, approved on February 3, 2016.

Valence is currently selling produced gas through a natural gas pipeline connection with Energy Transfer Partners ("Energy Transfer"), formerly Regency Energy Partners LP. Valence is seeking authorization from the Commission for a two-year period to flare up to 1500 thousand cubic feet per day ("mcf") of gas from the Charlotte Tank Battery and 1250 mcf of gas from the Pearce Tank Battery during non-routine episodes caused by system upset or pipeline capacity limitations. The flaring authorization is a failsafe measure to ensure legal disposition of all gas produced from the Charlotte and Pearce Tank Batteries. The technical examiner and administrative law judge ("Examiners") recommend the exceptions be granted.

DISCUSSION OF THE EVIDENCE

Charlotte Tank Battery:

The Charlotte Tank Battery produces casinghead gas that contains up to 17,000 parts per million hydrogen sulfide (Exhibit No. 2). The gas produced from the Charlotte Tank Battery is delivered through the pipeline to a sour gas processing facility owned by Energy Transfer for hydrogen sulfide treatment (Exhibit No. 2). Historically, the sour gas processing facility has experienced system upsets or pipeline limitations and periodically cannot accept gas for short periods of time from the Charlotte Tank Battery (Exhibit No. 2).

To address the non-routine episodes caused by system upset or pipeline capacity limitations, Valence received administrative authority on June 23, 2015, through Permit No. 22549, to flare a maximum of 500 mcf of gas from the Charlotte Tank Battery in the Eagleville (Eagle Ford-1) and the Indio Tanks (Pearsall) Fields located in Atascosa and McMullen Counties, Texas (Exhibit No. 1). The Permit (No. 22549) granted Commission authority from May 10, 2015 through August 8, 2015, a period of 90 days. On July 17, 2015, the authority was extended administratively for another 90 days and was set to expire on November 7, 2015 (Exhibit Nos. 1 and 2). On October 20, 2015, Valence requested a hearing to extend the flaring authority by a Commission final order for a period of two years (Exhibit No. 2). On February 3, 2016, the Commission approved a final order which authorized the flaring of gas with volumes up to 500 mcf from the Charlotte Tank Battery for two years from November 8, 2015 through November 7, 2017 (Exhibit No. 2).

Valence requested a hearing at the Commission on September 29, 2017 to continue the flaring authority. A Notice of Hearing was issued by the Commission on October 25, 2017 to adjacent operators in the Eagle Ford-1 Field (Exhibit Nos. 4, 7 and 8). On November 20, 2017, a hearing was held to extend the flaring authority by the Commission for an additional two years from November 8, 2017 to November 7, 2019 (Exhibit No. 3). Valence requests authority to flare up to 1500 mcf of gas from the

Charlotte Tank Battery during non-routine episodes caused by system upset or pipeline capacity limitations (Exhibit No. 6).

The Pearce Tank Battery:

The Pearce Tank Battery produces casinghead gas that contains up to 17,000 parts per million hydrogen sulfide (Exhibit No. 1). The gas produced from the Pearce Tank Battery is delivered through the pipeline to a sour gas processing facility owned by Energy Transfer for hydrogen sulfide treatment (Exhibit No. 1). Historically, the sour gas processing facility has experienced system upsets or pipeline limitations and periodically cannot accept gas for short periods of time from the Pearce Tank Battery (Exhibit No. 1).

To address the non-routine episodes caused by system upset or pipeline capacity limitations, Valence received administrative authority through Permit No. 22550 to flare a maximum of 100 mcf of gas from the Pearce Tank Battery in the Eagleville (Eagle Ford-1) Field, located in Atascosa County, Texas (Exhibit No. 2). The Permit (No. 22550) granted Commission authority from May 10, 2015 through August 8, 2015, a period of 90 days. On July 17, 2015, the authority was extended administratively for another 90 days and was set to expire on November 7, 2015 (Exhibit Nos. 1 and 2). On October 20, 2015, Valence requested a hearing to extend the flaring authority by a Commission final order for a period of two years (Exhibit No. 3). On February 3, 2016, the Commission approved a final order which authorized the flaring of gas with volumes up to 100 mcf from the Pearce Tank Battery for two years from November 8, 2015 through November 7, 2017 (Exhibit No. 1).

Valence requested a hearing at the Commission on September 29, 2017 to continue the flaring authority. A Notice of Hearing was issued by the Commission on October 25, 2017 to adjacent operators in the Eagle Ford-1 Field (Exhibit Nos. 4, 7 and 8). On November 20, 2017, a hearing was held to extend the flaring authority by the Commission for an additional two years from November 8, 2017 to November 7, 2019. In the hearing, Valence requests authority to flare up to 1250 mcf of gas from the Pearce Tank Battery during non-routine episodes caused by system upset or pipeline capacity limitations.

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. There were no protests to the applications.
2. Casinghead gas produced through the Pearce and Charlotte Tank Batteries contain up to 17,000 parts per million of hydrogen sulfide.
3. Valence sells gas produced through both the Pearce and Charlotte Tank Batteries to Energy Transfer's sour gas processing facility, which has historically experienced system upsets or pipeline limitations and periodically cannot accept gas for short periods of time.

4. Operational issues at the Energy Transfer facility periodically cause Valence to flare produced casinghead gas when the sour gas processing facility is not operational or not accepting gas for short periods of time.
5. The Charlotte Tank Battery flare point is connected to wells completed in the Eagleville (Eagle Ford-1) and the Indio Tanks (Pearsall) Fields located in Atascosa and McMullen, Counties, Texas.
6. The Pearce Tank Battery flare point is connected to wells completed in the Eagleville (Eagle Ford-1) Field located in Atascosa County, Texas.
7. On February 3, 2016, the Commission approved a final order which authorized the flaring of gas with volumes up to 500 mcf/d from the Charlotte Tank Battery for two years, from November 8, 2015 through November 7, 2017. On November 20, 2017, a hearing was held to extend the flaring authority by the Commission for an additional two-year period, from November 8, 2017 to November 7, 2019:
 - a. In the hearing, Valence indicated the flaring authority is for periodic operational upsets and capacity limitations; and,
 - b. Valence requested authority to flare up to 1500 mcf/d of gas from the Charlotte Tank Battery lease during non-routine episodes caused by periodic system upset or pipeline capacity limitations.
8. On February 3, 2016, the Commission approved a final order which authorized the flaring of gas with volumes up to 100 mcf/d from the Pearce Tank Battery for two years, from November 8, 2015 through November 7, 2017. On November 20, 2017, a hearing was held to extend the flaring authority by the Commission for an additional two-year period, from November 8, 2017 to November 7, 2019:
 - a. In the hearing, Valence indicated the flaring authority is for periodic operational upsets and capacity limitations; and,
 - b. Valence requested authority to flare up to 1250 mcf/d of gas from the Pearce Tank Battery lease during non-routine episodes caused by periodic system upset or pipeline capacity limitations.
9. Continued authority from the Commission to flare casinghead gas on an intermittent basis will allow Valence to produce oil and condensate from the wells that supply the Pearce and Charlotte Tank Batteries.
10. At the hearing, the Applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

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. Continued authority to flare gas will prevent waste and protect correlative rights.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on January 23, 2018.

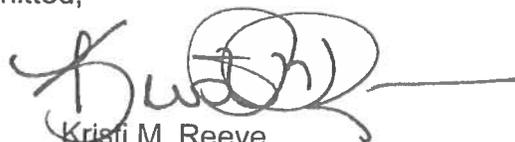
RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Valence Operating Company to flare up to 1250 mcf of gas from its Pearce Tank Battery and 1500 mcf of gas from its Charlotte Tank Battery from November 8, 2017 to November 7, 2019.

Respectfully submitted,



Robert Musick, P. G.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge

