



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0293845

THE APPLICATION OF EP ENERGY E&P, L.P. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE UNIVERSITY 51 LEASE, WELL NO. 0901H, LIN (WOLFCAMP) FIELD, CROCKETT COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Randall Collins – Legal Examiner

HEARING DATE: February 27, 2015
RECORD CLOSED: February 27, 2015
SUBMISSION DATE: June 30, 2015
CONFERENCE DATE: July 14, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Mark Hanna
Roger Powell

EP Energy E&P, L.P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EP Energy E&P, L.P. ("EP") requests an exception to flare casing-head gas from its University 51 Lease, Well No. 0901H (the "Well"), pursuant to 16 Tex. Admin. Code §3.32. EP seeks authority to flare 750,000 cubic feet of gas per day ("750 MCFGD") from the Well in the subject field for one year beginning on October 28, 2014.

DISCUSSION OF THE EVIDENCE

Mr. Roger Powell testified as an expert in Facilities Engineering on behalf of EP. Mr. Powell is employed with EP as a Facilities Engineering Coordinator. Mr. Powell testified that he is responsible for all surface facilities near the Well.

Applicable Rules

This application centers on one issue – EP’s request for an exception to flare casinghead gas from the Well, pursuant to 16 Tex. Admin. Code §3.32 (“SWR 32”). SWR 32 governs the utilization for legal purposes 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.

All offset operators were provided notice and an opportunity to participate in the hearing.

In order to determine the necessity for an exception to flare casing-head gas, SWR 32(f)(2) states:

[...] Necessity for the release includes, but is not limited to, the following situations...

In the subject application, EP argues that the necessity to flare casing-head is needed due to the unavailability of a gas pipeline or other marketing facility, pursuant to SWR 32(f)(2)(D).

EP’s Argument

On October 28, 2014, the Commission received EP’s letter requesting a hearing for the subject application.

Mr. Powell testified that the Well’s surface facility is completely dedicated to handling all production from the Well, and includes a three-phase separator, oil storage tank, water storage tank, flowlines, and a flare. Mr. Powell testified that the flare stack at the Well’s surface facility contains high pressure and low pressure valves so that the flare can accept casing-head gas accordingly.¹ Mr. Powell testified that EP originally planned to drill two additional wells on the subject lease; however, the two additional wells have been dropped from EP’s drilling program due to the recent economic downfall of oil and gas prices.

The Well is not connected to a gas sales pipeline. Mr. Powell testified that the nearest gas sales pipeline is owned by WTG, and is located approximately 1.5 miles east of the Well. Mr. Powell testified that building a new pipeline to connect to WTG’s gas sales pipeline would cost approximately \$1 million to \$1.5 million.

Mr. Powell testified that the Well’s remaining estimated ultimate recovery (“EUR”) is roughly 113,600 barrels of oil and 167,000 MCFG, which is valued at approximately \$4.6 million and \$0.6 million, respectively. Therefore, EP seeks relief in the immediate case to provide it with flexibility in determining whether building a gas pipeline will be economically feasible for a period of one year beginning on October 28, 2014.

¹ Testimony at 18:30 of audio recording *compared with* EP Exh. No. 2.

FINDINGS OF FACT

1. EP Energy E&P, L.P. (“EP”) requests an exception to flare casing-head gas from its University 51 Lease, Well No. 0901H (the “Well”), completed in the Lin (Wolfcamp) field, pursuant to 16 Tex. Admin. Code §3.32.
2. EP requests authority to flare up to 750,000 cubic feet of gas per day (“750 MCFGD”) from the Well in the subject field for one year beginning on October 28, 2014.
3. On October 28, 2014, the Commission received EP’s letter requesting a hearing for the subject application.
4. The Well’s surface facility is completely dedicated to handling all production from the Well, and includes a three-phase separator, oil storage tank, water storage tank, flowlines, and a flare.
5. The Well is not connected to a gas sales pipeline.
6. The Well’s remaining estimated ultimate recovery (“EUR”) is roughly 113,600 barrels of oil and 167,000 MCFG, which is valued at approximately \$4.6 million and \$0.6 million, respectively.
7. Approval of the subject application is reasonable and appropriate, pursuant to 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 up to 750 MCFGD of casing-head gas derived from the Lin (Wolfcamp) Field, Crockett County, Texas at EP’s University 51 Lease, Well No. 0901H for a period of one year beginning on October 28, 2014, 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 an exception to flare casing-head gas from EP's University 51 Lease, Well No. 0901H in the Lin (Wolfcamp) Field, Crockett County, Texas at a rate of up to 750 MCFGD for one year beginning on October 28, 2014.

Respectfully submitted,



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Technical Examiner



Randall Collins
Legal Examiner