



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0299193

THE APPLICATION OF BHP BILLITON PET (TXLA OP) CO FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, PHANTOM (WOLFCAMP) FIELD IN LOVING, CULBERSON AND REEVES COUNTIES, TEXAS

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HEARD BY: Peggy Laird – Technical Examiner
Jennifer Cook – Administrative Law Judge

REPORT PREPARED BY: Karl Caldwell – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: April 1, 2016
CONFERENCE DATE: January 24, 2017

APPEARANCES: **REPRESENTING:**
APPLICANT: BHP BILLITON PET (TXLA OP) CO
Davin McGinnis
Tim Smith

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

BHP Billiton PET (TXLA OP) CO ("BHP") seeks an eighteen (18) month extension for a total of seventeen (17) current exceptions to Statewide Rule 32. For each application, notice was provided to all offset operators of each flare stack. The applications are unopposed, and the Technical Examiner and the Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide 32 to flare gas for each of the subject flare points as requested by BHP.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(j) states that an operator may request a hearing on any application for an exception or exception renewal required by this section. On December 14, 2015, the Commission received a hearing request from BHP for an 18-month extension of the existing 17 exceptions to Statewide Rule 32 for each of the subject flare points.

All wells connected to the 17 flare points are also either connected to a Western Gas Partners (formerly Delaware Basin Midstream) gathering system, an Energy Transfer Partners (formerly Regency Field Services, LLC) gathering system, or configured with a switch that enables BHP to sell gas to either Western Gas Partners or Energy Transfer Partners to maximize gas sales and minimize flaring needs. Flaring only occurs when all gas produced cannot be sold. Flaring needs are typically unpredictable, and are a result of random, inconsistent curtailments due to capacity constraints, upset, and maintenance situations. If BHP is not permitted to flare gas when all gas produced cannot be sold, the only alternative is to shut-in the wells. The wells are liquid-rich, horizontal well completions that require a large volume of proppant to be placed in the hydraulically-induced fractures during well completions. BHP's reservoir engineers are concerned that shutting wells in may damage the proppant pack and reduce the ultimate recovery of the wells, causing waste. Ongoing efforts by midstream providers to expand capacity should ease capacity constraints, improve plant and pipeline efficiency, and significantly reduce the need to flare gas over the next 18 months. BHP is requesting a maximum permit volume based on a per month volume basis as opposed to a per day basis to ensure they are compliant with the permit each month as a result of the unpredictability and fluctuating flaring needs from day-to-day. BHP also points out that flaring volumes are reported to the Commission on a monthly basis.

A fire occurred at Delaware Basin Midstream, LLC's Ramsey Plant on December 3, 2015 which resulted in a Force Majeure and the Ramsey Plant was unable to accept gas delivery. The Ramsey Plant is expected to be operational in April 2016. However, as a result of this unforeseen event, BHP is requesting flare volumes that approach

100% of the daily production in case of another unexpected event that may result in the need to flare gas over the next 18 months. BHP wants to sell all gas produced and flaring will only be necessary when all gas cannot be sold. The requested flare volumes are summarized in Table 1.

Table 1: Summary - Wells and Flare Points

RRC Docket 08-0299193 (Group 1)							
SWR-32 Permit No.	Shared Flare	Plant/Lease Name (as listed on SWR-32 Permit)	Well No	RRC ID # (for all wells behind flare point)	P-17 Permit (if applicable)	Requested Flare Volume (Mcf/m)	Requested Flare Volume (Mcf/d)
23171	No	BOLD JOHNSON 56-T1-42	2H	278250		44,000	1,443
23170	No	HORSESHOESPRINGSSTATE113-24X1	1H	278243		82,650	2,710
24972	No	HSS STATE 113-23X14	1H	278957		226,300	7,420
24969	No	HSS STATE 45-17X8	1H	278125		22,400	734
24963	No	RAYMORE 57-T1-24	2H	278903		171,600	5,626
23174	Yes	STATE CUMBERLAND 57-T2-16	1H & 2H	278442 & 279512	08-7442	45,900	1,505
23825	No	STATE ELLA MAE HALL 57-T2-14	1H	278515		66,600	2,184
24964	No	STATE LEE WAY 57-T2-10	1H	279233		72,800	2,387
24971	No	STATE LRP 57-T2-12	1H	278910		104,400	3,423
24973	No	STATE SRO 45-18X19	1H	278912		31,000	1,016

RRC Docket 08-0299194 (Group 2)							
SWR-32 Permit No.	Shared Flare	Plant/Lease Name (as listed on SWR-32 Permit)	Well No	RRC ID # (for all wells behind flare point)	P-17 Permit (if applicable)	Requested Flare Volume (Mcf/m)	Requested Flare Volume (Mcf/d)
23168	No	DARCY STATE 56-T3-22	1H	278241		30,000	984
24967	No	SCYTHIAN EMPIRE 57-T1-41X44	1H	279200		9,600	315
24970	No	STATE CHEVYHALFTUN 56-T2-10X15	1H	278915		41,450	1,359
24968	No	STATE KEASLER 57-T3-18	1H	278914		5,050	166

RRC Docket 08-0299195 (Group 3)							
SWR-32 Permit No.	Shared Flare	Plant/Lease Name (as listed on SWR-32 Permit)	Well No	RRC ID # (for all wells behind flare point)	P-17 Permit (if applicable)	Requested Flare Volume (Mcf/m)	Requested Flare Volume (Mcf/d)
23828	No	STATE PROJECTS 57-T2-47X2	1H	278235		43,400	1,423
23177	No	STATE PROJECTS 57-T2-47X38	1H	278234		17,350	569
24965	No	STATE SCOOTER 56-T2-33X28	1H	278911		44,350	1,454

Western Gas Partners is planning to complete the Ramsey VI Processing Train by mid-2017 which should help reduce the need to flare gas in the area. In addition, Energy Transfer Partners has expansion plans that include the completion of the Orla Plant in 2016, which is a 200 MMcf gas per day processing plant. Energy Transfer Partners is also constructing the Trans-Pecos/Comanche Trail, which is a total of 337 miles of natural gas pipelines with 2.5 Bcf per day capacity. The Trans-Pecos/Comanche Trail is expected to be completed in 2017.

BHP's marketing, land, and engineering personnel continue to work on solutions to minimize flaring and maximize gas sales and gas usage. Solutions include contract

negotiations and identification of alternative markets, the installation of split connects where feasible to allow wellhead take-away flexibility, engineering solutions to increase use of produced gas, and negotiations to extend leases and manage drilling requirements.

FINDINGS OF FACT

1. Proper notice of this hearing was provided to all operators adjacent to each flare point for each application at least ten days prior to the date of hearing. There were no protests to the applications.
2. On December 14, 2015, the Commission received a hearing request from BHP for an 18-month extension of the existing 17 exceptions to Statewide Rule 32 for each of the subject flare points.
3. All wells connected to the 17 flare points are also either connected to a Western Gas Partners (formerly Delaware Basin Midstream) gathering system, an Energy Transfer Partners (formerly Regency Field Services, LLC) gathering system, or configured with a switch that enables BHP to sell gas to either Western Gas Partners or Energy Transfer Partners.
4. Flaring only occurs when all gas produced cannot be sold.
5. Flaring is a result of unpredictable, inconsistent curtailments due to capacity constraints, upset, and maintenance situations.
6. The wells are liquid-rich, horizontal well completions that require a large volume of proppant to be placed in the hydraulically-induced fractures during well completions.
7. Shutting in the wells may damage the proppant pack and reduce the ultimate recovery, causing waste.
8. Ongoing efforts by midstream providers to expand capacity should ease capacity constraints, improve plant and pipeline efficiency, and significantly reduce the need to flare gas over the next 18 months.
9. A fire occurred at Delaware Basin Midstream, LLC's Ramsey Plant on December 3, 2015 which resulted in the Ramsey Plant being unable to accept gas delivery.
10. BHP's marketing, land, and engineering personnel continue to work on solutions to minimize flaring and maximize gas sales and gas usage.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.


EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the request by BHP for an 18-month extension of the 17 current exceptions to Statewide Rule 32 as listed in Attachment A.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Jennifer Cook
Administrative Law Judge

ATTACHMENT A Requested Flare Volumes

RRC Docket 08-0299193 (Group 1)												
Plant/Lease Name <i>(as listed on SWR-32 Permit)</i>	Well No	RRC ID # <i>(for all wells behind flare point)</i>	P-17 Permit <i>(if applicable)</i>	SWR-32 Permit No.	Expiration of Current Flare Permit	Permit Effective Date	New Permit Expiration Date	Requested Flare Volume (Mcf/m)	Requested Flare Volume (Mcf/d)	Requested Flare Volume	Requested Flare Volume (Mcf/d)	
BOLD JOHNSON 56-T1-42	2H	278250		23171	01/31/16	02/01/16	08/01/17	44,000	1,443			
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HSS STATE 113-23X14	1H	278957		24972	01/25/16	01/26/16	08/01/17	226,300	7,420			
HSS STATE 45-17X8	1H	278125		24969	02/20/16	02/21/16	08/21/17	22,400	734			
RAYMORE 57-T1-24	2H	278903		24963	01/06/16	01/07/16	08/01/17	171,600	5,626			
STATE CUMBERLAND 57-T2-16	1H & 2H	278442 & 279512	08-7442	23174	02/06/16	02/07/16	08/07/17	45,900	1,505			
STATE ELLA MAE HALL 57-T2-14	1H	278515		23825	01/19/16	01/20/16	08/01/17	66,600	2,184			
STATE LEE WAY 57-T2-10	1H	279233		24964	01/07/16	01/08/16	08/01/17	72,800	2,387			
STATE LRP 57-T2-12	1H	278910		24971	02/22/16	02/23/16	08/23/17	104,400	3,423			
STATE SRO 45-18X19	1H	278912		24973	02/27/16	02/28/16	08/28/17	31,000	1,016			

RRC Docket 08-0299194 (Group 2)												
Plant/Lease Name <i>(as listed on SWR-32 Permit)</i>	Well No	RRC ID # <i>(for all wells behind flare point)</i>	P-17 Permit <i>(if applicable)</i>	SWR-32 Permit No.	Expiration of Current Flare Permit	Permit Effective Date	New Permit Expiration Date	Requested Flare Volume (Mcf/m)	Requested Flare Volume (Mcf/d)	Requested Flare Volume	Requested Flare Volume (Mcf/d)	
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SCYTHIAN EMPIRE 57-T1-41X44	1H	279200		24967	01/04/16	01/05/16	08/01/17	9,600	315			
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STATE PROJECTS 57-T2-47X38	1H	278234		23177	02/03/16	02/04/16	08/04/17	17,350	569			
STATE SCOOTER 56-T2-33X28	1H	278911		24965	01/14/16	01/15/16	08/01/17	44,350	1,454			