



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0301022

THE APPLICATION OF BHP BILLITON PET (TXLA OP) CO FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, PHANTOM (WOLFCAMP), FORD, WEST (WOLFCAMP), AND SANDBAR (BONE SPRING) FIELDS, REEVES, CULBERSON, AND LOVING COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 08-0301367

THE APPLICATION OF BHP BILLITON PET (TXLA OP) CO FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, PHANTOM (WOLFCAMP), FORD, WEST (WOLFCAMP), AND SANDBAR (BONE SPRING) FIELDS, REEVES, CULBERSON, AND LOVING COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 08-0301382

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OIL AND GAS DOCKET NOS. 08-0301022, 08-0301367, 08-0301382, 08-0301383, 08-0301386, & 08-0301387

OIL AND GAS DOCKET NO. 08-0301387

THE APPLICATION OF BHP BILLITON PET (TXLA OP) CO FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, PHANTOM (WOLFCAMP), FORD, WEST (WOLFCAMP), AND SANDBAR (BONE SPRING) FIELDS, REEVES, CULBERSON, AND LOVING COUNTIES, TEXAS

HEARD BY: Peggy Laird – Technical Examiner
Ryan Lammert – Administrative Law Judge

REPORT PREPARED BY: Karl Caldwell – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: September 26, 2016
CONFERENCE DATE: February 14, 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”) requests 18-month extensions of current exceptions to Statewide Rule 32 to flare gas at thirty-five flare points. The gas is produced from wells completed in the Ford, West (Wolfcamp), Phantom (Wolfcamp) and Sandbar (Bone Springs) Fields in Culberson, Reeves, and Loving Counties, Texas. The infrastructure is in place to sell gas. The request to flare gas is due to the day-to-day unpredictability of pipeline capacity constraints, system upsets, and curtailments. Notice was provided to offset operators in the field surrounding the flare points and no protests were received. The applications are unopposed and the Examiners recommend approval of an 18-month extension of the existing exceptions to Statewide 32 to flare gas for each of the six applications.

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

OIL AND GAS DOCKET NOS. 08-0301022, 08-0301367, 08-0301382, 08-0301383, 08-0301386, & 08-0301387

by this section. BHP received previous flare authority for the subject flare points, effective February 13, 2015 to July 31, 2016. BHP filed a request for hearing on July 6, 2016 for extensions of the current flare permits. The request for hearing was made more than 21 days prior to the expiration of the existing authority. The maximum requested monthly flare volume for each flare point was estimated based on a six-month review of monthly gas produced multiplied by the maximum percentage of gas flared in any of the previous six months.

The location of the flare points and maximum monthly requested volumes for each application are summarized in Tables 1 - 6. All lease facilities in each of the six applications are connect to sales lines. For several wells, BHP can sell gas to either Energy Transfer Partners (formerly Regency Field Services) or Western Gas Partners (formerly Delaware Basin Midstream) with split connections.

The subject facilities are located in Reeves, Culberson, and Loving Counties, where system upsets, curtailments and pipeline capacity constraints are common. When these unpredictable events occur, the only options available to the operator are to shut-in wells or flare gas. Operators are concerned that the reservoir may be harmed due stress-cycling effects on the proppant pack in the fractures if producing wells are required to be shut-in. Stress-cycling may crush proppant which may create fines, resulting in fines migration, which may reduce the permeability of the proppant pack and possible damage to the well completion. BHP is requesting an exception to Statewide Rule 32 to continue producing liquids from these wells.

BHP's marketing, land, and engineering personnel continue to work on solutions to minimize flaring and maximize gas sales and/or gas use. These solutions include identifying alternative markets and contract negotiations, the installation of split connects where feasible to allow wellhead take-away flexibility, and engineering solutions to increase the use of produced gas.

Barring unexpected events, ongoing efforts by both Energy Transfer Partners and Western Gas Partners to expand midstream capacity should continue to ease capacity constraints, improve plant and pipeline efficiency, and significantly reduce the need for flaring over the next 18 months.

OIL AND GAS DOCKET NOS. 08-0301022, 08-0301367, 08-0301382, 08-0301383, 08-0301386, & 08-0301387

Table 1: Oil and Gas Docket No. 08-0301022: BHP Billiton Pet. Co. Statewide Rule 32 Information (effective August 1, 2016 to January 31, 2018).

RRC Docket 08-0301022					
SWR-32 Permit No.	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 Maximum Flare Volume (Mcf/month)
20928	Abernathy 57-T1-14	1H & 2H	270387 & 45618	08-7346	8,800
20931	Bold Johnson 56-T1-26	1H & 2H	270251 & 278368	08-7345	8,000
20932	Bold Johnson 56-T1-36	1H & 2H	271703 & 275462	08-7067	18,500
20937	Horseshoesprings State 113-10	1	272717		19,000
21467	Johnson Estate 57-T1-2	1H	46426		2,550
21109	Raymore 57-T1-24	1H	271713		12,300
21464	State Protection 55-T2-2	2H & 3H	271674 & 275634	08-7237	11,800

Table 2: Oil and Gas Docket No. 08-0301367: BHP Billiton Pet. Co. Statewide Rule 32 Information (effective August 1, 2016 to January 31, 2018).

RRC Docket 08-0301367					
SWR-32 Permit No.	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 Maximum Flare Volume (Mcf/month)
20929	Alexander 58-T2-12	1H	277813		24,000
21460	Fraser 57-T1-39	1H	277812		6,400
20939	MDJ Minerals 58-T2-22	1H,2H,3H,&4H	278549 & Pending	Note 1*	148,900
20945	State Pogo 57-T2-4	1H	278216		18,200

* Note 1: Numbers 2H, 3H & 4H not yet producing. BHP expects to complete #2H 12/16; #3H expected 4/17; #4H expected 5/17. P-17 will be obtained after #2H completion.

OIL AND GAS DOCKET NOS. 08-0301022, 08-0301367, 08-0301382, 08-0301383, 08-0301386, & 08-0301387

Table 3: Oil and Gas Docket No. 08-0301382: BHP Billiton Pet. Co. Statewide Rule 32 Information (effective August 1, 2016 to January 31, 2018).

RRC Docket No. 08-0301382					
SWR-32 Permit No.	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 Maximum Flare Volume (Mcf/month)
20930	Bettye Hansard State 45-3	2H	272207		3,400
21459	Dela State 58-T2-48	1H	267104		2,500
21740	Extinction & Hubbard (57-T1-32)	1H & 1H	271198 & 273718	08-6899	5,700
21862	Meeker 56-T2-22	1H	270731		2,500
21461	Hooton Etal State 57-T3-22	1	270685		4,200
20913	State Caldwell 57-T2-26	2H & 4H	278251 & 276866	08-7246	7,300
20912	State Caldwell 57-T2-26	3H & 5H	277467 & 277583	08-7245	3,900
20906	State Desert 55-T2-18	1H	278922		2,500
21466	State Diamond Back 57-T3-4	1H	275789		5,000
21462	State Hanging H Ranch 56-T3-8	1H	275255		2,600
20944	State Olson 57-T2-8	1H	278122		10,400
20943	State Roberta Regan 57-T2-36	1H	277458		6,500

OIL AND GAS DOCKET NOS. 08-0301022, 08-0301367, 08-0301382, 08-0301383, 08-0301386, & 08-0301387

Table 4: Oil and Gas Docket No. 08-0301383: BHP Billiton Pet. Co. Statewide Rule 32 Information (effective August 1, 2016 to January 31, 2018).

RRC Docket No. 08-0301383					
SWR-32 Permit No.	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 Maximum Flare Volume (Mcf/month)
21727	Brown State 56-T2-44 & 56-T3-2	1H & 1H	277117 & 46970	08-7229	6,600
20936	Hill and Meeker 56-T2-22	2H	45583		5,600
20940	Mc Camey Forrest 56-T2-16	1H	45504		2,500
20905	Rio State Randolph 57-T2-34	1H	276286		2,500
21894	State Tunstill 56-T2-10	1H	45440		2,500
21463	State Tunstill 56-T2-6	1H	46636		2,400

Table 5: Oil and Gas Docket No. 08-0301386: BHP Billiton Pet. Co. Statewide Rule 32 Information (effective August 1, 2016 to January 31, 2018).

RRC Docket No. 08-0301386					
SWR-32 Permit No.	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 Maximum Flare Volume (Mcf/month)
21106	Bold Johnson 56-T1-42	1H	271675		6,850
20935	Johnson Estate 57-T1-4	1H & 2H	278221 & Pending	Note *	20,150
20941	Pogo Mosbacher State 57-T2-4 & State Pogo Stick 57-T1-45X4 SA	1H & 1H	45548 & Pending	Note **	11,650

Notes: * Number 2H not yet producing - BHP estimates completion 12/16. BHP will be filing for a P-17 permit when #2H is completed.

** P-17 will be obtained with completion of State Pogo Stick 57-T1-45x4 SA #1H, estimated to be in 2nd Qtr 2017.

OIL AND GAS DOCKET NOS. 08-0301022, 08-0301367, 08-0301382, 08-0301383, 08-0301386, & 08-0301387

Table 6: Oil and Gas Docket No. 08-0301387: BHP Billiton Pet. Co. Statewide Rule 32 Information (effective August 1, 2016 to January 31, 2018).

RRC Docket No. 08-0301387					
SWR-32 Permit No.	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 Maximum Flare Volume (Mcf/month)
20934	Camp State 56-T2-8 & State Momentum 56-T2-17X8 SA	1H & 1H	273044 & 816361	Note *	27,600
20938	Low Royalty Partners 56-T2-20	1H & 2H	45052 & 279011	08-7463	4,400
20942	Sigler State 57-T2-22	1H & 2H	45229 & 279609	08-7450	17,000

Note: * P-17 will be obtained with completion of State Momentum 56-T2-17X8 SA #1H, estimated to be in 1st Qtr 2017..

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the applications.
2. BHP is requesting to flare gas from wells completed in the Ford, West (Wolfcamp), Phantom (Wolfcamp) and Sandbar (Bone Springs) Fields in Culberson, Reeves, and Loving Counties, Texas.
3. All facilities in each of the applications are connected to a sales line.
4. For each of the facilities BHP has existing exceptions to Statewide Rule 32 that expire July 31, 2016.
5. On July 6, 2016, the Commission received a hearing request from BHP for an extension of current exceptions to Statewide Rule 32.
6. BHP is requesting eighteen (18) month exceptions to Statewide Rule 32 from August 1, 2016 to January 31, 2018 to flare gas when all gas cannot go to sales.

OIL AND GAS DOCKET NOS. 08-0301022, 08-0301367, 08-0301382, 08-0301383, 08-0301386, & 08-0301387

7. Midstream providers in the area are working to expand capacity.
8. BHP's marketing, land, and engineering personnel continue to work on solutions to minimize flaring and maximize gas sales and/or gas use.

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 an exception to Statewide Rule 32 for each flare point listed in Tables 1-6, effective August 1, 2016 to January 31, 2018, for the maximum monthly volumes listed in Tables 1 – 6.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Ryan Lammert
Hearings Examiner