



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0301026

THE APPLICATION OF BHP BILLITON PET (TXLA OP) CO FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, PHANTOM (WOLFCAMP) FIELD, REEVES 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 to existing exceptions to Statewide Rule 32 to flare gas. The gas is produced from wells completed in the Phantom (Wolfcamp) Field in 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 to the tracts where the flare points are located, 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 as requested by BHP.

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Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. For each of the subject flare points, BHP has been granted permits that will be expiring. BHP is requesting additional exceptions to Statewide 32 to flare gas for an additional 18-month period.

BHP received previous administrative flare authority for the eight (8) subject facilities/leases. The existing 8 exceptions to Statewide Rue 32 for these facilities expire between July 31, 2016 and August 25, 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. BHP is requesting eighteen (18) month extensions of the current exceptions to Statewide Rule 32 for each application, each to be effective August 1, 2016 to January 31, 2018.

This area of the Phantom (Wolfcamp) Field in Reeves and Loving Counties has experienced system upsets, curtailments and pipeline capacity constraints as the area continues to be developed. 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.

The location of the flare points and maximum monthly requested volumes for each of the 8 facilities/leases are summarized in Tables 1. All lease facilities are connected to sales lines. The gas gatherers in this area are Energy Transfer Partners (formerly Regency Field Services) and Western Gas Partners (formerly Delaware Basin Midstream). Barring unexpected events, ongoing efforts by midstream providers 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.

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.

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Table 1: Oil and Gas Docket No. 08-0301026: BHP Billiton Pet. Co. Statewide Rule 32 Information (effective August 1, 2016 to January 31, 2018).

SWR-32 Permit No.	Plant/Lease Name (as listed on SWR-32 Permit)	Well No	RRC ID # (for all wells behind flare point)	Requested Maximum Flare Volume (Mcf/month)
27288	Escarpa Roja 57-T1-34	1H	279344	17,600
27289	State Al Olson 57-T1-43X6 SA	1H	810925	27,200
27287	State Forest 55-T2-18X19	1H	810918	18,700
27285	State Mint 57-T3-16	1H	279256	4,500
27307	State Placer 57-T2-44	1H	811911	9,250
27306	State Pride 57-T3-38	1H	808736	11,400
27284	State Protector 55-T2-2X11 PSA	1H	807948	7,000
27286	State Willie Vee 56-T3-6	1H	279638	8,500

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 Phantom (Wolfcamp) Field in Reeves and Loving Counties, Texas.
3. All 8 facilities/leases are connected to a sales line.
4. BHP has existing administrative exceptions to Statewide Rule 32 for each of the 8 facilities/leases that expire between July 31, 2016 and August 25, 2016.
5. On July 6, 2016, the Commission received a hearing request from BHP for an extension of current exceptions to Statewide Rule 32, more than 21 days before the expiration of the existing exceptions to Statewide Rule 32.
6. BHP is requesting an eighteen (18) month exception to Statewide Rule 32 from August 1, 2016 to January 31, 2018 to flare gas when all gas cannot go to sales.
7. Midstream providers in the area are working to expand capacity.

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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 Table 1, effective August 1, 2016 to January 31, 2018, for the maximum monthly volumes listed in Table 1.

Respectfully submitted,


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Technical Examiner


Ryan Lammert
Hearings Examiner