



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0302456

THE APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BURDA GOLDEN FACILITY (LEASE ID NO. 02-5531), EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

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

HEARING DATE: December 16, 2016
CONFERENCE DATE: February 14, 2017

APPEARANCES: **REPRESENTING:**
APPLICANT: Encana Oil & Gas (USA) Inc.

Davin McGinnis
James Clark, P.E.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. (“Encana”) seeks a two-year extension of its current exception to Statewide Rule 32 for the Burda Golden Facility, Eagleville (Eagle Ford-2) Field, Karnes County, Texas. Notice was provided to offset operators to the the flare point at the Burda Golden Facility and no protests were received. The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively, “Examiners”) recommend approval of a two-year extension of the existing exception to Statewide 32 to flare gas as requested by Encana.

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 November 4, 2016, the Commission received a hearing request from Encana for an extension of the existing exception to Statewide Rule 32 for the Burda Golden Facility. The

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request for hearing was received at least 21 days prior to the expiration of the current flaring authority. Encana was previously granted an exception to Statewide Rule 32 to flare up to 105 MMCF of casinghead gas per month from April 3, 2015 to December 31, 2016 in Final Order No. 02-0295929. Encana is requesting a Statewide Rule 32 exception renewal for the same maximum monthly volume for a period of two years.

The Burda Golden Central Facility collects casinghead gas from seven (7) separate leases (98 individual wells), sweetens it, and utilizes a portion of the treated gas for artificial lift and a portion goes into a transmission line and ultimately to sales. The flare point in this application is located at the Burda Golden commingling facility. Most of the gas produced by the 98 wells connected to this flare point is being sold. Encana's engineering witness estimated that approximately 8% of the total volume of gas produced is flared.

The rapid pace of oil development and drilling in 2015 and 2016, has resulted in a significant increase in casinghead gas produced from the wells which feed this facility. The well count has increased by over 25% since the previous April 2015 hearing. Most of these wells are Eagleford horizontal wells and more recently, Encana has been drilling and completing Austin Chalk horizontal wells. These Austin Chalk horizontal well completions have come on-line with higher than anticipated initial production. Based on the encouraging results, Encana plans to add more Austin Chalk wells in the future.

The rapid rise in production has resulted in insufficient compression at the Burda Golden Central Facility to meet Encana's needs. Multiple compressors have been swapped out for higher horsepower compressors during the period covered by the current exception to Statewide Rule 32. When gas compressors are replaced there is a need to flare, typically over a period of weeks. The Burda Golden Facility is currently equipped with eight gas compressors. A ninth compressor is planned for March 2017 to meet the additional compression needs. When the ninth compressor is operational, there will be no anticipated need for flaring at the facility during routine operations. There will, however, be a continued need to flare for short durations when new completions come on-line, and when compression is increased. Until the ninth compressor is operational, Encana only has two options, either produce the wells at lower rates and higher GOR's (which will result in lower oil recoveries), or to flare a small percentage of overall gas production. Encana requests that the permit to flare gas be based on a maximum monthly gas limit as opposed to a daily limit to account for fluctuations in flare volumes.

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 application.
2. Encana was previously granted an exception to Statewide Rule 32 to flare up to 105 MMCF of casinghead gas per month from April 3, 2015 to December 31, 2016 in Final Order No. 02-0295929.

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3. On November 4, 2016, the Commission received a hearing request from Encana for an extension of the existing exception to Statewide Rule 32 for the Burda Golden Facility.
4. Encana is requesting a Statewide Rule 32 exception renewal for a period of two years, for the same maximum monthly volume granted in Final Order No. 02-0295929.
5. The flare point in this application is located at the Burda Golden commingling facility. The Burda Golden Central Facility collects casinghead gas from seven (7) separate leases (98 individual wells), sweetens it, and utilizes a portion of the treated gas for artificial lift and a portion goes into a transmission line and ultimately to sales.
6. Most of the gas produced by the 98 wells connected to this flare point is being sold. Encana's engineering witness estimated that approximately 8% of the total volume of gas produced is flared.
7. The rapid rise in production has resulted in insufficient compression at the Burda Golden Central Facility to meet Encana's needs. Multiple compressors have been swapped out for higher horsepower compressors during the period covered by the current exception to Statewide Rule 32. When gas compressors are replaced there is a need to flare, typically over a period of weeks.
 - a. A ninth compressor is planned for March 2017 to meet the additional compression needs.
 - b. When the ninth compressor is operational, there will be no anticipated need for flaring at the facility during routine operations.
 - c. There will be a continued need to flare for short durations when new completions come on-line, and when compression is increased.

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.

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EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant a Statewide Rule 32 exception renewal for the Burda Golden Facility for a period of two years, effective January 1, 2017 to December 31, 2018, as requested by Encana.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Jennifer Cook
Hearings Examiner