



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0304195

THE APPLICATION OF SHELL WESTERN E&P FOR AN EXCEPTION TO 16 TAC §3.32 TO FLARE GAS FROM THE KING STALLION FACILITY, PHANTOM (WOLFCAMP) AND MOORE HOOPER (WOLFCAMP/PENN CONS) FIELDS, WARD COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Clayton Hoover – Administrative Law Judge

HEARING DATE: May 11, 2017
RECORD CLOSED: May 11, 2017
CONFERENCE DATE: June 6, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
David Wallace
Maureen Kovacic

Shell Western E&P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The captioned dockets were heard on a joint record at the May 11, 2017 hearing. The application is unopposed and the Technical Examiner and the Administrative Law Judge, (collectively the Examiners) recommend that the application be approved, as requested by Shell Western E&P.

Pursuant to 16 Tex. Admin. Code §3.32, Shell Western E&P. (Shell) seeks authority to continue flaring gas from its King Stallion Facility (KSF).

DISCUSSION OF THE EVIDENCE

Mr. David W. Wallace testified as an expert on behalf of Shell. Mr. Wallace is a licensed Engineer.

Applicable Rules

In general, 16 Tex. Admin. Code §3.32 ("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.

Mr. Wallace testified that Shell had been granted an Administrative Flare Permit (Permit No. 28052) allowing Shell to flare 1,600 Mcf/d for 180 days, from 10/10/2016 through 04/10/2017.

There are 130 wells tied into the King Stallion Facility. All of the wells are tied into a sales line and the gas is sold at the wellhead. Currently, the O₂ concentration in the oil coming into the KSF, is above the facility specifications which causes interruptions at the KSF. During these interruptions, Shell either has to flare the flash gas or shut in the wells. Shell has implemented a two-prong strategy to reduce the O₂ concentrations in the flash gas. At the tank batteries Shell is installing a gas blanketing system and at the KSF they are implementing a catalytic converter system. Shell estimates it will take 18 months to install and test the two systems.

Shell requests that it be granted flexibility in flaring by allowing it a monthly volume limitation as opposed to a daily volume limitation. Shell argues that a monthly volume limitation will provide it greater ability to adhere to the Commission's flaring rules.

Shell is requesting a two-year exception to flare flash gas from its King Stallion Facility at a rate of 65,000 Mcf per month (2,166 mcf/d) from 04/10/2017 through 04/09/2019. Shell estimates that if the flaring exception is not granted Shell will lose approximately \$19.5 million a month from oil revenues and \$494,718 from gas sales.

FINDINGS OF FACT

1. Shell Oil & Gas (USA), Inc. ("Shell") seeks exception to 16 Texas Admin. Code §3.32 to flare gas at the King Stallion Facility for two years at a rate of 65,000 mcf per month from 04/10/2017 through 04/09/2019.
2. Notice of Hearing was provided to all immediate offsetting operators adjacent to the King Stallion Facility.
3. Shell received administrative authority to flare gas volumes beyond 50 MCFGD prior to the hearing held on May 11, 2017.

4. Shell submitted hearing requests to the Commission for the Subject Application on March 20, 2017.
5. Shell has shown necessity for flaring beyond 180 days at volumes above 50 MCFG per day in the Subject Application.
6. Approval of the Subject Application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32


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 rates and time frames to flare gas, as described in Finding of Fact No. 1, 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 exceptions to flare gas from the King Stallion Facility as described in Finding of Fact No. 1 above.

Respectfully submitted,


Richard Eyster, P.G.
Technical Examiner


Clayton Hoover
Administrative Law Judge