



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0308791

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, EAGLEVILLE (EAGLE FORD-1), EAGLEVILLE (EAGLE FORD-2), AND SUGARKANE (EAGLE FORD) FIELDS, KARNES COUNTY, TEXAS

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HEARD BY: Robert Musick, P.G. – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

HEARING DATE: April 3, 2018

CONFERENCE DATE: May 22, 2018

APPEARANCES: REPRESENTING:

APPLICANT:

David McGinnis
James M. Clark P.E.

Encana Oil & Gas (USA) Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") requests exceptions to Statewide Rule 32 to flare casinghead gas in the Eagleville (Eagle Ford-1) Field, Eagleville (Eagle Ford-2) Field, and Sugarcane (Eagle Ford) Field in Karnes County, Texas.

Notice was provided to offset operators in the fields surrounding the flare points and no protests were received. The captioned dockets were consolidated for the hearing conducted on April 3, 2018.

All applications are unopposed and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend granting an exception to Statewide 32 to flare casinghead gas for each of the three applications represented by Oil and Gas Docket Nos. 02-0308791, 02-0308792, and 02-0308793.

DISCUSSION OF THE EVIDENCE

Encana requests an exception to flare gas from 22 flare points in the Eagleville (Eagle Ford-1) Field, the Eagleville (Eagle Ford-2) Field and the Sugarkane (Eagle Ford) Field, in Karnes County, Texas. The three combined Oil and Gas Dockets include 103 leases with 332 wells on these leases.

Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas and casinghead gas produced under the jurisdiction of the Railroad Commission. Encana seeks relief in the subject dockets pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)... if the operator of a well or production facility presents information to show the necessity for the release...

Statewide Rule 32(h)(4) 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.

Because Encana requests an exception which exceeds 180 days and exceeds a volume greater than 50 thousand cubic feet ("MCF") of casinghead gas per day, the procedure to address the exception requests is through a hearing resulting in a final order signed by the Commission.

Encana collects casinghead gas from multiple wells, utilizes a portion of the treated gas for lease fuel, and sends the recovered casinghead gas to sales lines unless the gas is off-spec (e.g., sour gas) or if the sales connection is not available. During periods of routine maintenance, equipment malfunction, facility upset events, and high compression in the sales line, it is necessary to legally dispose of the gas using flaring authority.

To address the disposition of casinghead gas to meet the rule, Encana sent a letter dated January 4, 2018, requesting a hearing to be conducted for various leases in Karnes County, Texas. The Hearings Division issued a Notice of Hearing to the Service List on March 1, 2018. A public hearing was held on April 3, 2018 to continue flaring authority for a total of 22 flare points under Oil & Gas Docket Nos. 02-0308791, 02-0308792 and 02-03087913.

Testimony at the hearing indicates Encana is seeking a continuance of flaring authority for 22 flare points during short periods of time when flaring is necessary because of routine maintenance, equipment malfunction, upset events, sales lines unavailability; or, for disposal of sour gas from wells not connected to a sales line.

To organize the administration of these applications, Encana divided the 22 flare points into three groups based on common production characteristics and technical challenges. Each

group's requested flare authority is identified on Attachment A. The summary of each group follows:

Group 1 - Docket No. 02-0308791

Docket No. 02-0308791 includes a total of nine (9) permitted flare points associated with 241 producing wells on 76 leases in the Eagleville (Eagle Ford-1), Eagleville (Eagle Ford-2), and Sugarkane (Eagle Ford) Fields in Karnes County, Texas. These wells and leases are all connected to sales lines and flaring is only performed during short periods of time when operations do not allow the gas to be sold due to equipment malfunction or the pipeline is unavailable.

These flare points were previously authorized to flare casinghead gas for a period of two years by Oil & Gas Final Order Nos. 02-0299351 and 02-0299763. The authorized flaring authority was from January 31, 2016 to January 30, 2018. Attachment B outlines the flaring authority for each lease on a monthly and daily basis which expired on January 30, 2018.

Testimony in the hearing established the maximum gas flared from a lease in Group 1 was 8,171 MCF per month or 7.3 percent of the total gas produced from Group 1 leases from January 2016 through January 2018. Based on the hearing, 2.5 percent of total gas produced from the Group 1 leases were flared.

Encana is seeking a two-year continuance of flaring authority from the expiration date of the two Final Orders. No changes in the flaring rates are proposed by Encana from previously approved Final Orders. Attachment A summarizes the requested flare authority for Group 1 leases under Oil and Gas Docket 02-0308791. This authority is granted for a period of two years, from January 31, 2018 through January 30, 2020.

Group 2 - Docket No. 02-0308792

Docket No. 02-0308792 includes a total of five (5) permitted flare points associated with 55 producing wells on 12 leases in the Eagleville (Eagle Ford-2) Field in Karnes County, Texas. These wells and leases are all connected to sales lines and flaring is only performed during periods of time when operations do not allow the gas to be sold due to equipment malfunction, installation of a new well, or the pipeline is unavailable.

These flare points were previously authorized to flare casinghead gas for a period of two years by Oil & Gas Final Order Nos. 02-0299763 and 02-0299764. The authorized flaring authority was from January 31, 2016 to January 30, 2018. Attachment B outlines the flaring authority for each lease on a monthly and daily basis.

Testimony in the hearing established the maximum gas flared from a lease in Group 2 was 46,806 MCF per month or 24.8 percent of the total gas produced from Group 2 leases from January 2016 through January 2018. Based on the hearing, 9.2 percent of total gas produced from the Group 2 leases were flared.

Encana is seeking a two-year continuance of flaring authority from the expiration date of the two Final Orders. Attachment A summarizes the requested flare authority for Group 2 leases under Oil and Gas Docket 02-0308792. This authority is granted for a period of two years, from January 31, 2018 through January 30, 2020.

Group 3 - Docket No. 02-0308793

Docket No. 02-0308793 includes a total of eight (8) permitted flare points associated with 36 producing wells on 15 leases in the Eagleville (Eagle Ford-2) Field in Karnes County, Texas. All but two of these leases, the Stieren Coates Facility and Betty Facility, are connected to sales lines. For leases connected to sales lines, flaring is performed during periods when operations do not allow the gas to be sold due to equipment malfunction, installation of a new well, or the pipeline is unavailable. For leases with no sales connection, the flaring is from a single well located on each lease, thus is a very small part of Group 3 production. The Stieren Coates Facility and Betty Facility produce sour gas and do not meet the pipeline specifications of the sales transmission line near the facility. A cost analysis indicates the connection to a sales line is not economic because the capital cost and treatment of sour gas to connect to the nearest pipeline located 3.8 miles is prohibited (due to being off-spec) and not economically feasible at this time.

These flare points were previously authorized to flare casinghead gas for a period of two years by Oil & Gas Final Order Nos. 02-0299764, 02-0300031, and 02-0300032. The authorized flaring authority was from January 31, 2016 to January 30, 2018 for Final Order No. 02-0299764; and from March 31, 2016 to March 30, 2018 for Final Order Nos. 02-0300031, and 02-0300032. Attachment B outlines the flaring authority for each lease on a monthly and daily basis.

Testimony in the hearing established the maximum gas flared from a lease in Group 3 was 1,708 MCF per month, or 12.5 percent of the total gas produced from Group 3 leases for the two-year period from 2016 through 2018. Based on exhibits, 6.94 percent of total gas produced from the Group 3 leases were flared.

Encana is seeking a two-year continuance of flaring authority from the expiration date of the three issued Final Orders: Nos. 02-0299764, 02-0300031, and 02-0300032. Attachment A.1 and A.2 summarize the two-year period for flaring authorization requested for Group 3 leases under Oil and Gas Docket 02-0308793.

The Examiners recommend the exceptions be granted.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing. There were no protests to the applications.
2. A public hearing was held on April 3, 2018 to continue flaring authority under Oil & Gas Docket Nos. 02-0308791, 02-0308792 and 02-03087913.
3. Testimony at the hearing indicates Encana is seeking a continuance of flaring authority during short periods of time when flaring is necessary because of routine maintenance, equipment malfunction, upset events, sales lines unavailability; or, for disposal of sour gas from wells not connected to a sales line.
4. There are currently 332 producing oil and gas wells located on 103 leases with 22 flare points subjects to three applications. Encana is requesting to flare casinghead gas produced from leases in the Eagleville (Eagle Ford-1) Field, the Eagleville (Eagle Ford-2) Field and the Sugarkane (Eagle Ford) Field, in Karnes County, Texas. Encana divided the wells and leases into three different applications with separate docket numbers:

- a. Group 1 - Oil and Gas Docket No. 02-0308791;
 - b. Group 2 - Oil and Gas Docket No. 02-0308792;
 - c. Group 3 - Oil and Gas Docket No. 02-0308793.
5. Group 1 flare points are characterized by the following:
- a. A total of 241 producing wells on 76 leases are connected to nine (9) flare points in the Eagleville (Eagle Ford-1) Field, the Eagleville (Eagle Ford-2) Field and the Sugarkane (Eagle Ford) Field, in Karnes County, Texas.
 - b. A sales transmission line is connected to all wells;
 - c. A portion of the gas is utilized for lease fuel;
 - d. Flaring is caused by routine maintenance, equipment malfunction, upset events and sales lines unavailability;
 - e. These nine (9) flare points were previously authorized to flare casinghead for a period of two years by Oil & Gas Final Order Nos. 02-0299351 and 02-0299763. The Final Orders authorized flaring from January 31, 2016 to January 30, 2018.
 - f. Based on the hearing, 2.5 percent of total gas produced from the Group 1 leases were flared; and
 - g. Encana is seeking flare authority for period of two years, from January 31, 2018 through January 30, 2020. Attachment A identifies the nine (9) flare points and monthly flare volumes that are requested in the application.
6. Group 2 flare points are characterized by the following:
- a. A total of 55 wells located on 12 leases are connected to five (5) flare points in the Eagleville (Eagle Ford-2) Field in Karnes County, Texas;
 - b. A sales transmission line is connected to all wells;
 - c. A portion of the gas is utilized for lease fuel;
 - d. Flaring in Group 2 is caused by routine maintenance, equipment malfunction, upset events and sales lines unavailability;
 - e. These five (5) flare points were previously authorized to flare casinghead for a period of two years by Oil & Gas Final Order Nos. 02-0299763 final and effective on June 7, 2016 and 02-0299764 final and effective on May 3, 2016. The Final Orders authorized flaring from January 31, 2016 to January 30, 2018;
 - f. Based on the hearing, 9.2 percent of total gas produced from the Group 2 leases were flared; and

- g. Encana is seeking flare authority for period of two years, from January 31, 2018 through January 30, 2020. Attachment A identifies the five (5) flare points and monthly flare volumes that are requested in the application.
7. Group 3 flare points are characterized by the following:
- a. A total of 36 wells located on 15 leases are connected to eight (8) flare points in the Eagleville (Eagle Ford-2) Field in Karnes County, Texas;
 - b. All but two of these leases, the Stieren Coates Facility and Betty Facility, are connected to sales lines. The Stieren Coates and Betty Facilities have high concentrations of hydrogen sulfide gas (H₂S) and do not meet the sales line specifications;
 - c. For leases connected to sales lines, flaring is performed during periods when operations do not allow the gas to be sold due to equipment malfunction, installation of a new well, or the pipeline is unavailable;
 - d. For leases with no sales connection, the flaring is from a single well located on each lease, thus is a very small part of Group 3 production. The Stieren Coates Facility and Betty Facility produce sour gas and do not meet the pipeline specifications of the sales transmission line near the facility;
 - e. A cost analysis indicates the connection to a sales line is not economic because the capital cost and treatment of sour gas to connect to the nearest pipeline located 3.8 miles is prohibited and not economical feasible at the time;
 - f. Flare points were previously authorized to flare casinghead for a period of two years by Oil & Gas Final Order Nos. 02-0299764, 02-0300031, and 02-0300032;
 - g. Based on the hearing, 6.94 percent of total gas produced from the Group 3 leases were flared; and
 - h. Encana is seeking flare authority for period of two years, Attachment A.1 and A.2 identifies the eight (8) flare points, the two-year period and monthly flare volumes that are requested in the application.
8. Authority to flare gas from the subject flare points will enable Encana to continue to produce hydrocarbon liquids from the subject wells at efficient production rates without loss of ultimate recovery.
9. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.42.

3. The requested authority to flare casinghead gas satisfies the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32 (h).
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the Applicant, the Final Order is effective when a Master Order relating to the Final Order is signed by the Commission

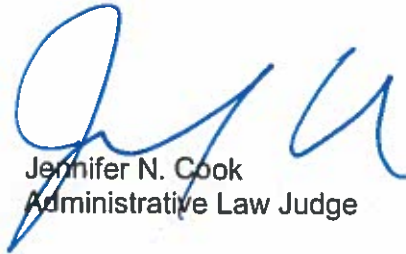
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the exceptions to Statewide Rule 32 for the subject flare points, as requested by Encana Oil & Gas (USA) Inc.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Jennifer N. Cook
Administrative Law Judge

ATTACHMENT A - REQUESTED FLARE AUTHORITY**Group 1: Docket No. 02-0308791**

Lease/Facility	Flare Permit No.	Surface Commingle Permit No.	Flare Rate - Monthly flare rate (MCF/mo.)	Flare Rate - Average Daily Flare Rate (MCF/day)
Dickson-Allen/Patsy Clark	24939	02-5465	45,000	1,500
Patton Trust-South	24937	02-5469	45,000	1,500
Gramm/Richter	24929	02-5470	36,000	1,200
Patton Trust-North	24934	02-5468	45,000	1,500
Love Crews Central	24933	02-5512	30,000	1,000
Red Crest Central	24936	02-5514	25,000	833
Hailey McAlister Central	24930	02-5511	45,000	1,500
Zunker Central	24938	02-5474	15,000	500
Kotara-Ridley Central	24931	02-5678	15,000	500

Group 2: Docket No. 02-0308792

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly flare rate (MCF/mo.)	Flare Rate - Average Daily Flare Rate (MCF/day)
Opiela Fitch Central	24935	02-5466	6,000	200
Julie Lease	24943	NA	15,000	500
Dougherty Central	24927	02-5895	45,000	1,500
Krawietz Unit	24944	NA	7,500	250
WRGM Facility	24945	NA	6,000	200

ATTACHMENT A - REQUESTED FLARE AUTHORITY (Continued)**Group 3: Docket No. 02-0308793****Attachment A.1 - Flaring Authorized for a period of two years from January 31, 2018 to January 30, 2020**

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly for Lease (MCF)	Flare Rate - Average Daily Flare Rate (MCF/day)
Carmody Trust Central	24926	02-5434	1,500	50
Fox/Dziuk/Muenchow	24928	02-5467	1,500	50
Kowalik/Nieschwietz Central	24932	02-5259	1,500	50
Beicker Roberts	24941	NA	1,500	50
Cione Facility	24940	NA	1,500	50
Diver Facility	24942	NA	1,500	50

Attachment A.2 - Flaring Authorized for a period of two years from March 31, 2018 to March 30, 2020

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly for Lease (MCF)	Flare Rate - Average Daily Flare Rate (MCF/day)
Betty Facility	18803	NA	2,000	67
Stieren Coates A Facility	18801	NA	2,400	80

ATTACHMENT B – PREVIOUS AUTHORIZED FLARING AUTHORITY**Group 1****Group 1: Final Order for 02-0299351 - Previous Authorized Flaring Authority**

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly (MCFM)	Flare Rate - Daily (MCFM)	Flaring Authorized
Dickson-Allen/Patsy Clark	24939	02-5465	45,000	1,500	1/31/2016 to 1/30/2018
Patton Trust-South	24937	02-5469	45,000	1,500	1/31/2016 to 1/30/2018
Gramm/Richter	24929	02-5470	36,000	1,200	1/31/2016 to 1/30/2018
Patton Trust-North	24934	02-5468	45,000	1,500	1/31/2016 to 1/30/2018
Love Crews Central	24933	02-5512	30,000	1,000	1/31/2016 to 1/30/2018
Red Crest Central	24936	02-5514	25,000	833	1/31/2016 to 1/30/2018

Group 1: Final Order for 02-0299763 - Previous Authorized Flaring Authority

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly (MCFM)	Flare Rate - Daily (MCFM)	Flaring Authorized
Hailey McAlister Central	24930	02-5511	45,000	1,500	1/31/2016 to 1/30/2018
Zunker Central	24938	02-5474	15,000	500	1/31/2016 to 1/30/2018
Kotara-Ridley Central	24931	02-5678	15,000	500	1/31/2016 to 1/30/2018

ATTACHMENT B – PREVIOUS AUTHORIZED FLARING AUTHORITY (Continued)**Group 2****Group 2: Final Order for 02-0299763 - Previous Authorized Flaring Authority**

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly (MCFM)	Flare Rate - Daily (MCFM)	Flaring Authorized
Opiela Fitch Central	24935	02-5466	6,000	200	1/31/2016 to 1/30/2018
Julie Lease	24943	NA	1,500	50	1/31/2016 to 1/30/2018
Dougherty Central	24927	02-5895	22,500	250	1/31/2016 to 1/30/2018
Krawietz Unit	24944	Na	7,500	750 (5.8%)	1/31/2016 to 1/30/2018

Group 2: Final Order for 02-0299764 - Previous Authorized Flaring Authority

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly (MCFM)	Flare Rate - Daily (MCFM)	Flaring Authorized
WRGM Facility	24945	WRGM Facility	6,000	200	1/31/2016 to 1/30/2018

ATTACHMENT B – PREVIOUS AUTHORIZED FLARING AUTHORITY (Continued)**Group 3****Group 3: Final Order for 02-0299764 - Previous Authorized Flaring Authority**

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly (MCFM)	Flare Rate - Daily (MCFM)	Flaring Authorized
Carmody Trust Central	24926	02-5434	1,500	50	1/31/2016 to 1/30/2018
Fox/Dziuk/Muenchow	24928	02-5467	1,500	50	1/31/2016 to 1/30/2018
Kowalik/Nieschwietz Central	24932	02-5259	1,500	50	1/31/2016 to 1/30/2018
Beicker Roberts	24941	NA	6,000	200	1/31/2016 to 1/30/2018
Cione Facility	24940	NA	1,500	50	1/31/2016 to 1/30/2018
Diver Facility	24942	NA	1,500	50	1/31/2016 to 1/30/2018

Group 3: Final Order for 02-0300031 - Previous Authorized Flaring Authority

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly (MCFM)	Flare Rate - Daily (MCFM)	Flaring Authorized
Stieren Coates A Facility	18801	NA	2,400	NA	3/31/2016 to 3/30/2018

Group 3: Final Order for 02-0300032 - Previous Authorized Flaring Authority

Lease/Facility	Flare Permit	Surface Commingle Permit No.	Flare Rate - Monthly (MCFM)	Flare Rate - Daily (MCFM)	Flaring Authorized
Betty Facility	18803	NA	2,000	NA	31/2016 to 3/30/2018