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DANA AVANT LEWIS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0316803

THE APPLICATION OF ENCANA OIL & GAS (USA) INC. (251691) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BURDA GOLDEN FACILITY, EAGLEVILLE (EAGLE FORD-2) FIELD, AND SUGARCANE (AUSTIN CHALK) FIELD, KARNES COUNTY, TEXAS

HEARD BY: John L. Moore – Technical Examiner
Karl Caldwell, P.E. – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: February 20, 2019
RECORD CLOSED: March 25, 2019
CONFERENCE DATE: April 23, 2019

APPEARANCES: **REPRESENTING:**

APPLICANT: Encana Oil & Gas (USA) Inc.

D. Davin McGinnis - Attorney
James M. Clark, P.E. – Expert Witness

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") seeks a two-year extension of its current two-year exception authority under Statewide Rule 32 (Permit No. 18804, issued under Final Order 02-0302456) and a maximum daily flare limit of 3,500 Mcf of casinghead gas for the Burda Golden Central Facility (Comminge Permit No. 5531) servicing 109 wells on ten (10) leases and designated in the Eagleville (Eagle Ford-2) Field and the Sugarcane (Austin Chalk) Field, Karnes County, Texas. Encana was also previously granted an exception to Statewide Rule ("SWR") 32 to flare up to 105,000 Mcf of casinghead gas per month from April 3, 2015 to December 31, 2016 in Final Order No. 02-0295929. Most of the gas produced by the 109 wells connected to this flare point is being sold with approximately 4% of the total volume of casinghead gas produced flared during the most recent two-year SWR 32 exception authority due to compressor maintenance, repair or upsets. Notice was provided to offset operators in the two fields

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 SWR 32 exception to flare a daily maximum of 3,500 Mcf of gas, as requested by Encana.

DISCUSSION OF THE EVIDENCE

SWR 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, SWR 32(j) states that an operator may request a hearing on any application for an exception authority or exception authority renewal required by this section. On December 6, 2018, the Commission received a hearing request from Encana for an extension of the existing exception to SWR 32 for the Burda Golden Central Facility. The request for hearing was received at least 21 days prior to the expiration of the current flaring exception authority. Encana was previously granted two 2-year exceptions to SWR 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 and from January 1, 2017 to December 31, 2018 in Final order 02-0302456, respectively. (see Attachment B) Encana is requesting a SWR 32 exception authority renewal for a period of two years and a maximum daily flare limit of 3,500 Mcf (see Attachment A).

The Commission Form P-17 entered as evidence and Encana's Expert Witness testimony indicates that the Burda Golden Central Facility currently collects casinghead gas from ten (10) separate leases (109 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 Central Facility operated under the Commission's authority of Commingling Permit No. 5531. Most of the gas produced by the 109 wells connected to this flare point is being sold. Encana's Expert Witness estimated that approximately 4% of the total volume of casinghead gas produced has been flared during the most recent two-year SWR 32 exception authority.

Development and drilling resulted in an increase in casinghead gas produced from the wells which feed this central facility. The well count has increased by 10% since Encana's previous hearing regarding this central flare point. Most of these wells are horizontal wells and more recently, Encana has been drilling and completing Austin Chalk horizontal wells.

The rise in production has resulted in the installation of nine (9) higher horsepower compressors at the Burda Golden Central Facility during the periods covered by the previous exceptions to SWR 32. When gas compressors are replaced or off-line for maintenance there is a need to flare, typically over a period of weeks. Without adequate compression, 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.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators in the Eagleville (Eagle Ford-2) Field and the Sugarcane (Austin Chalk) Field. There were no protests to the application.
2. Encana was previously granted an exception to SWR 32 to flare up to 105,000 Mcf of casinghead gas per month from April 3, 2015 to December 31, 2016 in Final Order No. 02-0295929.
3. Encana was previously granted an exception to SWR 32 to flare up to 105,000 Mcf of casinghead gas per month from January 1, 2017 to December 31, 2018 in Final Order No. 02-0295929 (Permit No. 18804).
4. On December 6, 2018, the Commission received a hearing request from Encana for an extension of the existing exception to SWR 32 for the Burda Golden Central Facility.
5. Encana is requesting a SWR 32 exception renewal for a period of two years with a maximum daily volume of 3,500 Mcf commencing January 1, 2019.
6. The flare point in this application is located at the Burda Golden Central Facility (Commingle Permit No. 5531). The Burda Golden Central Facility collects casinghead gas from ten (10) separate leases (109 individual wells), sweetens it, and utilizes a portion of the treated gas for artificial lift and a portion goes into a transmission line under compression and ultimately to sales.
7. Most of the gas produced by the 109 wells connected to this central flare point is being sold. Encana's engineering witness estimated that approximately 4% of the total volume of casinghead gas produced was flared during the previous two-year SWR 32 exception authority.
8. The rise in production has required the installation of nine (9) higher horsepower compressors at the Burda Golden Central Facility during the period covered by the previous exceptions to SWR 32. When gas compressors are off-line for maintenance or replaced there is a need to flare, typically over a period of weeks.
9. The Commission's SWR 32 exception authority to flare gas is a measure to ensure legal disposition of all casinghead gas from the Burda Golden Central Facility.

10. In the hearing, Encana agreed on the record that the Final Order in this docket, if not adverse can be effective when the Master Order is signed.

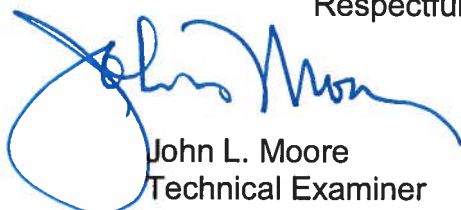
CONCLUSIONS OF LAW

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.

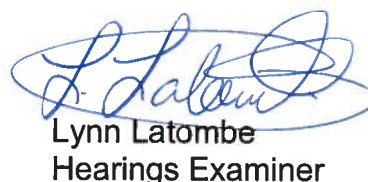
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant a Statewide Rule 32 exception renewal for the Burda Golden Facility for a period of two years from January 1, 2019 to January 1, 2020, and for a maximum daily limit of 3,500 Mcf, as requested by Encana.

Respectfully submitted,



John L. Moore
Technical Examiner



Lynn Latombe
Hearings Examiner

ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Flare Point Name	Permit Start Date (1)	Permit End Date	Proposed Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas
18804	02-5531	Burda Golden Central Facility	January 1, 2019	December 31, 2020	3,500	Casinghead Gas

Note: Mcfd = Thousand Cubic Feet Per Day

ATTACHMENT B – ALL PREVIOUSLY APPROVED FLARE EXCEPTION AUTHORITY(IES)

Previous Flare Exception Permit No.	Commingle Permit No. (if applicable)	Flare Point Name	Previous Exception Authority Type (Admin. or Final Order No.)	Previous Permit End Date	Previous Maximum Flare Volume (Mcf)	Casinghead Gas or Gas Well Gas
18804	02-5531	Burda Golden Central Facility	Admin.	December 9, 2014	2,000	Casinghead gas
18804	02-5531	Burda Golden Central Facility	Admin.	December 29, 2014	5,000	Casinghead gas
18804	02-5531	Burda Golden Central Facility	Admin.	February 12, 2015	2,000	Casinghead gas
18804	02-5531	Burda Golden Central Facility	Admin.	February 16, 2015	5,000	Casinghead gas
18804	02-5531	Burda Golden Central Facility	Admin.	February 28, 2015	2,000	Casinghead gas
18804	02-5531	Burda Golden Central Facility	Admin.	April 4, 2015	3,500	Casinghead gas
18804	02-5531	Burda Golden Central Facility	02-0295929	December 31, 2016	105 MMcf per month	Casinghead gas
18804	02-5531	Burda Golden Central Facility	02-0302456	December 31, 2018	105 MMcf per month	Casinghead gas

Note: Mcfd = Thousand Cubic Feet Per Day

