RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL & GAS DOCKET NO. NO. 08-0307476

THE APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE MILLER 20 LEASE (08-40108), THE CRABTREE 19 LEASE (08-42985), THE CRABTREE 19A LEASE (08-42869), THE TURNER 21 LEASE (08-44527), SPRABERRY (TREND AREA) FIELD, HOWARD COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: January 11, 2018

APPEARANCES:	**REPRESENTING:**
Applicant	
D. Davin McGinnis	Encana Oil & Gas (USA) Inc.
Jim M. Clark, P.E.	

<u>REPORT AND RECOMMENDATION</u>

<u>STATEMENT OF THE CASE</u>

Encana Oil & Gas (USA) Inc. ("Encana") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from four leases, all in the Spraberry (Trend Area) Field, Howard County, Texas. The requested authorization from the Commission is to address lease wells that have demonstrated an increasing concentration of hydrogen sulfide in casinghead gas making sales not viable at this time. Encana's authority to flare casinghead gas from the designated lease flare point expired on November 15, 2017, therefore Encana is seeking a two-year authorization from the Commission to continue flaring gas from November 16, 2017 to November 15, 2019. The application is not protested; the Technical Examiner and the Administrative Law Judge (collectively the "Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Encana's Miller 20 Central Flare Point ("Flare Point") serves four leases in Howard County: the Miller 20 Lease (08-40108), the Crabtree 19 Lease (08-42985), the Crabtree 19A Lease (08-42869), and, the Turner 21 Lease (08-44527) (Exhibit No. 2). Testimony from Jim Clark, a P.E. representing Encana, indicated at the hearing that sour gas concentrations prevented the sales pipeline from receiving the casinghead gas produced from the four leases because the elevated concentrations of sour gas exceeded pipeline specifications (Exhibit No. 6).

Mr. Clark's testimony indicated that there are seven oil wells on the four leases, with two wells on each lease, except for the Crabtree 19A Lease that has only one well. The wells from the different leases are connected to a sales pipeline at the Miller 20 Lease tank battery.

Mr. Clark's testimony indicated Encana received administrative authority through Permit No. 29325, to flare a maximum volume of 1,680 thousand cubic feet per day (mcf/day) for 180 days, from October 1, 2016 through March 31, 2017. After expiration of the administrative authority under Permit No. 29325, a hearing was held on May 11, 2017 under O&G Docket No. 08-0304102 to extend the flaring authority in accordance with Statewide Rule 32 (Exhibit No. 1). The Final Order for O&G Docket No. 08-0304102, effective June 6, 2017, established a maximum flare rate for casinghead gas of 10,000 thousand cubic feet per month (mcf/month) from April 1, 2017 through November 15, 2017 (Exhibit No. 1). The authorization to flare gas via the Final Order effective June 6, 2017 allowed Encana to perform a cost/benefit analysis and pursue sour gas treatment options (Exhibit No. 6).

A cost/benefit analysis comparing the current gas sales price against the cost to treat the sour gas to pipeline specifications indicate that the treatment and sales is not economic and will result in a loss of revenue of about $9,100 per month to Encana (Exhibit Nos. 5). Therefore, on October 25, 2017, Encana requested a hearing to extend the flaring authority under Statewide Rule 32 (Exhibit No. 2). A Notice of Hearing was issued by the Commission on December 6, 2017, to adjacent operators. The hearing was held on January 11, 2018.

Encana requests authority to flare up to 5,500 mcf/month, or about 183 mcf/day, from the Flare Point for a two-year period from November 16, 2017 to November 15, 2019 (Exhibit No. 6).

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice. There were no protests to the application.

2. Four leases are connected to a sales pipeline at the Miller 20 Lease tank battery: the Miller 20 Lease (08-40108), the Crabtree 19 Lease (08-42985), the Crabtree 19A Lease (08-42869), and, the Turner 21 Lease (08-44527) (Exhibit No. 2).

3. Wells from the four leases produce sour gas with concentrations of hydrogen sulfide at about 1,200 parts per million. Currently, the hydrogen sulfide concentrations in the casinghead gas exceed the sales pipeline specifications, therefore the sour gas is not being sold.

4. Encana has evaluated treatment options for the sour gas to meet the sales pipeline specifications. Options depend on the current gas sales rate and hydrogen sulfide concentration in the sour gas. Encana determined that the treatment options to meet the sales pipeline specifications are not economic at this time based on the cost/benefit analysis. Therefore, Encana is seeking authority to flare the casinghead sour gas at the Miller 20 Lease Central Flare Point which services the four leases: the Miller 20 Lease (08-40108), the Crabtree 19 Lease (08-42985), the Crabtree 19A Lease (08-42869), and, the Turner 21 Lease (08-44527) (Exhibit No. 2).

5. Encana received administrative authority through Permit No. 29325, to flare a maximum of 1,680 thousand cubic feet per day (mcf/day) for 180 days, from October 1, 2016 through March 31, 2017.

6. On May 11, 2017, a hearing was held to extend the flaring authority by the Commission under O&G Docket No. 08-0304102. The Final Order for O&G Docket No. 08-0304102, effective June 6, 2017, established a maximum flare rate for casinghead gas of 10,000 thousand cubic feet per month (mcf/month) from April 1, 2017 through November 15, 2017.

7. Encana applied for a hearing to extend the flaring authority more than 21 days before the administrative permit expired. On January 11, 2018, a Commission hearing was held to extend the flaring authority for an additional two-year period, from November 16, 2017 to November 15, 2019.
   a. In the hearing, Encana indicate a cost/benefit analysis using the gas selling price and cost to treat the sour gas to concentrations required by the sales pipeline make selling the gas uneconomic at this time; and,
   b. Encana requested authority to flare a maximum of 5,500 thousand cubic feet (mcf) per month of casinghead gas from the Flare Point in the Spraberry (Trend Area) Field, Howard County, Texas, for a period of two years from November 16, 2017 to November 15, 2019.

8. Without a final order authorizing the flaring, Encana will have to shut the wells in, causing waste and possible harm to the reservoir.

9. At the hearing held on January 11, 2017, 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 § 1.45.

3. Encana has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding the requested authority to flare casinghead gas produced from the wells in the four leases.

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 on January 23, 2018.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Encana to flare a maximum of 5,500 thousand cubic feet (mcf) per month of casinghead gas from the Flare Point in the Sprayberry (Trend Area) Field, Howard County, Texas, for a period of two years from November 16, 2017 to November 15, 2019.

Respectfully submitted,

Robert Musick, P. G.
Technical Examiner

Kristi M. Reeve
Administrative Law Judge