



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

EXAMINER'S REPORT AND RECOMMENDATION

OIL AND GAS DOCKET NO. 01-0293475

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE STOREY ALTITO NORTHWEST CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294035

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE WAREING CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294037

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE NEWMAN CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294585

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE STOREY ALTITO WEST CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294747

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE BROWN CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294802

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE MALTSBERGER CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294806

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE ALTITO C 1H CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294807

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE MALTSBERGER NORTHCUT CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294808

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE STOREY ALTITO NORTHEAST CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0294810

THE APPLICATION OF EP ENERGY E&P COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE STOREY REED EAST CPF, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Hearings Examiner

HEARING DATE: February 20, 2015

CONFERENCE DATE: April 8, 2015

APPEARANCES:

Mark Hanna
Matt Immel

REPRESENTING:

EP Energy E&P Company

STATEMENT OF THE CASE

EP Energy E&P Company (EP) seeks exceptions to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas from ten central processing facilities in the Eagleville (Eagle Ford-1) Field, La Salle County, Texas. EP seeks two-year authority to flare up to 5,000 thousand cubic feet (MCF) of gas per day (MCF/D) from each of the ten CPFs included in these applications. In each case, the potential need to flare 5,000 MCF/D is for the non-routine, flaring of gas; it is a failsafe measure to ensure legal disposition of all gas produced from its leases. The Examiners recommend the exceptions be granted.

DISCUSSION OF EVIDENCE

Since January 2011, EP has built and now operates 27 CPFs and more than 300 miles of pipeline in the Eagle Ford play. This request pertains to ten CPFs located east of Cotulla, La Salle County, Texas. The ten CPFs are on land that is generally contiguous.

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. Gas produced from this area is sweet and does not require treatment to remove hydrogen sulfide. EP is selling most of the gas it produces at the subject facilities, however it believes the exceptions are necessary due to continued capacity issues such as unscheduled downtime, upset conditions, and high line pressures, all of which occur regularly in this area. These facilities have received administrative permits to flare casinghead gas for a 180 days each.

For all of the subject facilities, EP has taken specific steps mitigate the need to flare gas and to de-bottleneck its gathering and, when necessary, treatment systems. Gas produced through the ten CPFs is sold to Kinder Morgan's Camino Real Pipeline. EP provides production forecasts to Kinder Morgan to anticipate potential constraints on gas sales. Each CPF includes two flares. A low pressure flare is used to combust vapors evolving from common oil and produced water storage tanks. At some facilities EP has installed oil coolers to reduce the evolution of gas from storage tanks. A high pressure flare is used in the event of unscheduled downtime, upset issues, and high line pressures. The high pressure flare is sized for peak associated gas flow rates, including lift gas which, in some cases, is imported from off-lease. Finally, some of the CPFs are linked to share the burden of production and transmission imbalances.

EP seeks two-year authority to flare up to 5,000 thousand cubic feet (MCF) of gas per day (MCF/D) from each of the ten CPFs included in these applications. In each case, the potential need to flare 5,000 MCF/D is for the non-routine, flaring of gas; it is a failsafe measure to ensure legal disposition of all gas produced from its leases. The two primary causes of non-routine flaring are (1) high line pressure, and (2) compressor downtime or failure. For each CPF, 5,000 MCF/D is a rate sufficient to accommodate gas at the CPF in the event of an unplanned outage of one large compressor.

Storey Altito Northwest CPF (Permit No. 17745)

The Storey Altito Northwest CPF currently serves about 17 wells. The CPF is tied to the nearby Storey Altito West CPF; the two CPFs enable EP to balance capacity demands. In January 2015, production through the CPF was 3,414 barrels of oil per day (BOPD) and 5,137 MCF/D. EP's production forecast through early 2016 indicates increasing production up to 10,757 BOPD and 17,793 MCF/D.

**01-0293475, 01-0294035, 01-0294037, 01-0294585, 01-0294747,
01-0294802, 01-0294806, 01-0294807, 01-0294808, and 01-0294810**

This facility received administrative permit no. 17745 to flare 2,000 MCF gas per day from May 5, 2014 through November 14, 2014, for a total of 195 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 843 MCF/D, with a maximum daily flare volume of 3,734 MCF. On October 16, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from November 15, 2014, through November 14, 2016.

Wareing CPF (Permit No. 17726)

The Wareing CPF currently serves about 28 wells. In January 2015, production through the CPF was 1,932 BOPD and 1,968 MCF/D. EP's production forecast through early 2016 indicates increasing production up to 6,636 BOPD and 8,416 MCF/D.

This facility received administrative permit no. 17726 to flare 500 MCF/D from May 27, 2014 through November 25, 2014, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 162 MCF/D, with a maximum daily flare volume of 1,624 MCF. On October 29, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from November 26, 2014, through November 25, 2016.

Newman CPF (Permit No. 17725)

The Newman CPF jointly serves about 40 wells with two other CPFs. In January 2015, production through the CPF was 6,661 BOPD and 7,072 MCF/D. EP's production forecast indicates declining production before production begins to increase until early 2016.

This facility received administrative permit no. 17725 to flare 500 MCF gas per day from May 26, 2014 through November 24, 2014, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 234 MCF/D, with a maximum daily flare volume of 2,218 MCF. On October 29, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from November 25, 2014, through November 24, 2016.

Storey Altito West CPF (Permit No. 18416)

The Storey Altito West CPF currently serves about 6 wells. The CPF is tied to the nearby Storey Altito Northwest CPF; the two CPFs enable EP to balance capacity demands. In January 2015, production through the CPF was 1,271 BOPD and 2,978 MCF/D. EP's production forecast through early 2016 indicates declining production.

This facility received administrative permit no. 18416 to flare 1,000 MCF gas per day from June 12, 2014 through December 11, 2014, for a total of 180 days. From January 1,

**01-0293475, 01-0294035, 01-0294037, 01-0294585, 01-0294747,
01-0294802, 01-0294806, 01-0294807, 01-0294808, and 01-0294810**

2014, through February 8, 2015, the facility flared an average of 233 MCF/D, with a maximum daily flare volume of 2,671 MCF. On December 1, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from December 12, 2014, through December 11, 2016.

Brown CPF (Permit No. 18831)

The Brown CPF currently serves about 16 wells. In January 2015, production through the CPF was 1,018 BOPD and 1,321 MCF/D. EP's production forecast through early 2016 indicates increasing production to 4,360 MCF/D in April 2015.

This facility received administrative permit no. 18831 to flare 4,000 MCF gas per day from July 7, 2014, through January 5, 2015, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 111 MCF/D, with a maximum daily flare volume of 1,361 MCF. On December 15, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from January 6, 2015, through January 5, 2017.

Maltsberger CPF (Permit No. 18087)

The Maltsberger CPF currently serves about 24 wells. The CPF is tied to a nearby CPF; the two CPFs enable EP to balance capacity demands. In January 2015, production through the CPF was 515 BOPD and 3,923 MCF/D. EP's production forecast through early 2016 indicates increasing production in late 2015, to about 1,400 BOPD and 6,100 MCF/D.

This facility received administrative permit no. 18087 to flare 3,000 MCF gas per day from July 9, 2014 through January 8, 2015, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 254 MCF/D, with a maximum daily flare volume of 1,109 MCF. On December 11, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from January 9, 2015, through January 8, 2017.

Altito C 1H CPF (Permit No. 18778)

The Altito C 1H CPF currently serves about 9 wells. In January 2015, production through the CPF was 796 BOPD and 1,543 MCF/D. EP's production forecast through early 2016 indicates declining production after a small initial rise in February 2015.

This facility received administrative permit no. 18778 to flare 1,000 MCF gas per day from July 21, 2014 through January 20, 2015, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 191 MCF/D, with a maximum daily flare volume of 1,563 MCF. On December 19, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D

**01-0293475, 01-0294035, 01-0294037, 01-0294585, 01-0294747,
01-0294802, 01-0294806, 01-0294807, 01-0294808, and 01-0294810**

for two additional years, from January 21, 2015, through January 20, 2017.

Maltsberger Northcut CPF (Permit No. 18777)

The Maltsberger Northcut CPF currently serves about 7 wells. In January 2015, production through the CPF was 358 BOPD and 920 MCF/D. EP's production forecast through early 2016 indicates declining production.

This facility received administrative permit no. 18777 to flare 1,000 MCF gas per day from July 21, 2014 through January 20, 2015, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 272 MCF/D, with a maximum daily flare volume of 2,975 MCF. On December 19, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from January 21, 2015, through January 20, 2017.

Storey Altito Northeast CPF (Permit No. 18780)

The Storey Altito Northeast CPF currently serves about 8 wells. EP is adding a compressor to this location to expand its capacity. In January 2015, production through the CPF was 2,158 BOPD and 4,521 MCF/D. EP's production forecast through early 2016 indicates production increasing to 6,277 BOPD and 10,745 MCF/D.

This facility received administrative permit no. 18780 to flare 2,500 MCF gas per day from July 21, 2014 through January 20, 2015, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 831 MCF/D, with a maximum daily flare volume of 5,449 MCF. On December 19, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from January 21, 2015, through January 20, 2017.

Storey Reed East CPF (Permit No. 18415)

The Storey Reed East CPF currently serves about 39 wells. The CPF is tied to the nearby Storey Reed West CPF; the two CPFs enable EP to balance capacity demands. In January 2015, production through the CPF was 3,004 BOPD and 3,660 MCF/D. EP's production forecast through early 2016 indicates declining production.

This facility received administrative permit no. 18415 to flare 1,000 MCF gas per day from July 22, 2014 through January 21, 2015, for a total of 180 days. From January 1, 2014, through February 8, 2015, the facility flared an average of 435 MCF/D, with a maximum daily flare volume of 4,642 MCF. On December 19, 2014, EP requested a hearing to extend the flaring authority. EP requests authority to flare up to 5,000 MCF/D for two additional years, from January 22, 2015, through January 21, 2017.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. EP is developing oil and gas resources in the Eagleville (Eagle Ford-1) Field in La Salle County, Texas, some of which is gathered and processed through ten central processing facilities subject to this application, which are:
 - a. Storey Altito Northwest CPF (Permit No. 17745)
 - b. Wareing CPF (Permit No. 17726)
 - c. Newman CPF (Permit No. 17725)
 - d. Storey Altito West CPF (Permit No. 18416)
 - e. Brown CPF (Permit No. 18831)
 - f. Maltberger CPF (Permit No. 18087)
 - g. Altito C 1H CPF (Permit No. 18778)
 - h. Maltberger Northcut CPF (Permit No. 18777)
 - i. Storey Altito Northeast CPF (Permit No. 18780)
 - j. Storey Reed East CPF (Permit No. 18415)
3. EP is selling most of the gas it produces at the subject facilities to to Kinder Morgan's via the Camino Real Pipeline.
 - a. Gas produced from this area is sweet and does not require treatment to remove hydrogen sulfide.
 - b. Exceptions to Statewide Rule 32 authorizing gas to be flared is necessary due to continued capacity issues such as unscheduled downtime, compressor failure, upset conditions, and high line pressures, all of which occur regularly in this area.
 - c. These facilities have received administrative permits to flare casinghead gas for a 180 days each.

4. EP has taken specific steps reduce the need to flare gas, including:
 - a. EP provides production forecasts to Kinder Morgan to anticipate potential constraints on gas sales.
 - b. EP is working to de-bottleneck its gathering system.
 - c. At some facilities EP has installed oil coolers to reduce the evolution of gas from storage tanks.
 - d. The high pressure flare is sized for peak associated gas flow rates, including lift gas which, in some cases, is imported from off-lease.
 - e. Some of the CPFs are linked to accommodate and reduce the burden of production and transmission imbalances.
 - f. EP seeks two-year authority to flare up to 5,000 thousand cubic feet (MCF) of gas per day (MCF/D) from each of the ten CPFs included in these applications.
 - g. In each case, the potential need to flare 5,000 MCF/D is for the non-routine, flaring of gas.
 - i. It is a failsafe measure to ensure legal disposition of all gas produced from its leases.
 - ii. The two primary causes of non-routine flaring are (1) high line pressure, and (2) compressor downtime or failure.
 - iii. For each CPF, 5,000 MCF/D is a rate sufficient to accommodate gas at the CPF in the event of an unplanned outage of one large compressor.
5. EP applied for hearings to extend the flaring authority more than 21 days before the administrative permits expired.

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. The requested exceptions to flare casinghead gas from the subject wells meet the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

Oil and Gas Docket Nos.:
01-0293475, 01-0294035, 01-0294037, 01-0294585, 01-0294747,
01-0294802, 01-0294806, 01-0294807, 01-0294808, and 01-0294810

PAGE 9

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend exceptions to Statewide Rule 32 for the subject CPFs be granted as requested by EP.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Hearings Examiner