



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

EXAMINER'S REPORT AND RECOMMENDATION

OIL AND GAS DOCKET NO. 01-0295072

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

OIL AND GAS DOCKET NO. 01-0295141

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

OIL AND GAS DOCKET NO. 01-0295143

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

OIL AND GAS DOCKET NO. 01-0295247

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

OIL AND GAS DOCKET NO. 01-0295248

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

OIL AND GAS DOCKET NO. 01-0295282

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

OIL AND GAS DOCKET NO. 01-0295284

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

OIL AND GAS DOCKET NO. 01-0296818

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

HEARD BY: Paul Dubois – Technical Examiner
Terry Johnson – Hearings Examiner

HEARING DATE: August 7, 2015

CONFERENCE DATE: August 25, 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 eight 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 eight CPFs included in these applications. The eight CPFs are on land that is generally contiguous, as shown on Attachment 1. 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

EP Energy E&P Company, L.P. (EPE) has been in development of its Eagle Ford facilities and infrastructure for over four years. Development has included infield gathering transporting full well stream production to Central Production Facilities (CPF) and gas lift distribution returning compressed/dehydrated lift gas from CPFs to various wells. Infrastructure has also been placed in service to deliver gas sales via pipeline for all Eagle Ford leases.

As presented in the August 7, 2015 Flare Permit Hearing for select EPE Eagle Ford assets, the following summarizes EPE's effort to maximize sales and use of associated gas volumes while minimizing flaring. Also summarized are ongoing engineering and operational activities to assess and further minimize flare volumes where applicable.

1. Initial CPF designs and gas pipeline takeaway capacities exhibited constraints, resulting in excessive compressor discharge pressures (1,300-1,350 PSIG) delivering gas to sales field wide. Efforts to eliminate these constraints and related flaring proved successful in 2014 with a commercial agreement to export sour/wet gas to a third party. This diversion of sales volumes from the existing gas takeaway system reduced CPF export pressures field wide from 1,300+ PSIG down to 1,200-1,250 PSIG resulting in the elimination of flare volume reductions associated with high pipeline operating pressures. Additional capital expenditures at a CPF level further reduced pressures and takeaway capacity constraints.
2. With the reduction in flare volumes described above, EPE flare permit requests have been based on volumes associated with downtime of gas compression and other safety related facility upsets. As demonstrated by the submitted daily CPF flare history, the major contributing CPF flare volume is associated with the unscheduled shutdown of a single gas compressor (5.0 MMscfd). Other circumstances related to intermittent flaring are based solely on the design of fail-safe facilities and the ability to contain and temporarily flare should safety systems not function as intended.
3. Ongoing and continuous engineering and field operational activities are also underway to identify and reduce other factors contributing to flare volumes. These include;
 - a. The installation of Fuel Conditioning systems at high fuel consumption/gas compression CPFs. These systems improve fuel quality resulting in increased uptime of gas compression and fired oil/gas processing equipment and contribute to reductions in unplanned shutdowns.
 - b. Continuous assessment and improvement in design and operating practices to reduce flare volumes associated with oil tank operations. This includes;
 - i. the ongoing installation of oil coolers at all stabilized oil facilities
 - ii. assessment of safety related blanket gas and flare purge

gas designs, and

- iii. optimization of oil stabilization operations.

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. These facilities have received administrative permits to flare casinghead gas for a 180 days each, the maximum time period allowed by Rule 32 for an administrative permit. Therefore, EP seeks a Commission final order granting two-year authority to flare up to 5,000 thousand cubic feet (MCF) of gas per day (MCF/D) from each of the eight 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 primary cause of non-routine flaring is 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.

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 eight central processing facilities subject to this application, which are:
 - a. Hixon NW CPF (Permit No. 18857)
 - b. Lehman CPF (Permit No. 18330)
 - c. Storey Reed West CPF (Permit No. 18541)
 - d. Hixon NE CPF (Permit No. 19831)
 - e. Storey Altito SE CPF (Permit No. 18553)
 - f. Hixon N CPF (Permit No. 19045)
 - g. Cotulla Ranch CPF (Permit No. 18551)
 - h. Maltberger SE CPF (Permit No. 19655)
3. EP is selling most of the gas it produces at the subject facilities to to Kinder Morgan's via the Camino Real Pipeline.

4. Exceptions to Statewide Rule 32 authorizing gas to be flared are necessary as failsafe contingencies in the event of CPF compressor failures and occasional high line pressures. In each case, the potential need to flare 5,000 MCF/D is for the non-routine, flaring of gas.
 - a. It is a failsafe measure to ensure legal disposition of all gas produced from its leases.
 - b. 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. These facilities have received administrative permits to flare casinghead gas for a 180 days each.
6. EP has successfully taken specific steps reduce the need to flare gas from the subject facilities.
7. 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)

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



Terry Johnson
Hearings Examiner