



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0299584

THE APPLICATION OF JAMES LAKE MIDSTREAM, L.L.C. TO CONSTRUCT AND OPERATE A SOUR GAS PIPELINE, WINKLER GATHERING SYSTEM, WINKLER LATERAL, KERMIT FIELD AREA, ECTOR AND WINKLER COUNTIES, TEXAS

APPLICATION REVIEWED BY: Peggy Laird, P.G. – Technical Examiner

DATE APPLICATION FILED: January 29, 2016

DATE REVIEWED: March 10, 2016

CONFERENCE DATE: March 29, 2016

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unprotested application of James Lake Midstream, L.L.C. ("JLM") for Commission authority to construct and operate the "Winkler Lateral" pipeline, a hydrogen sulfide (H₂S) gas pipeline in Ector and Winkler Counties, pursuant to Statewide Rules 36, 70 and 106 (16 Tex. Admin Code §§ 3.36, 3.70, and 3.106.) On February 3, 2016, JLM notified the Ector and Winkler County Clerks of the application. On February 5, 2016, JLM published notice of the application in *The Odessa American*, a newspaper of general circulation in Ector County, and on February 11, 2016, published same notice in *The Winkler County News*, a newspaper of general circulation in Winkler county.

The Commission's Field Operations section has reviewed the application and has determined that the application and contingency plan comply with the applicable provisions of Statewide Rule 36. In addition, the Commission's Oversight and Safety Division (Pipeline Safety) has reviewed the application and recommends approval. Accordingly, the Examiner recommends that the subject application be granted, as proposed by JLM.

DISCUSSION OF THE EVIDENCE

JLM proposes to construct a 31-mile long sour gas pipeline consisting of four segments (A, B1, B2, B3). Segment A is the only part of the proposed pipeline that falls

under Statewide Rule 106, and is the focus of this report. The remaining segments, B1, B2, B3, will all operate at a working pressure less than 50 psig.

Segment A, referred to as "Winkler Lateral", is about 30 miles in length and will start in Winkler County at the Kermit Booster, and will end at the James Lake Gas Plant in Ector County. The 12-inch coated steel sour gas pipeline will carry approximately 30,000 mcf/day of gas with an H₂S concentration of up to 10,000 parts per million (ppm) from wells that produce from the Kermit Field Area. The maximum operating pressure will be 1,275 pounds per square inch (psi).

The pipeline will have a cathodic protection system to prevent/reduce corrosion and maintain the integrity of the pipeline. Segment A will be constructed of API 5L/X-52 coated steel pipe. All pipeline materials will meet NACE Standard MR-01-75 and API RP-14E. JLM shall utilize proper NACE and API recommended materials for sour gas service.

The engineering and safety design for Segment A includes nine ESD, or auto shutdown, valves activated by pressure loss or overpressure on the pipeline. The valves provide a means to help minimize the loss in the event of a rupture, and are located at various points along the pipeline. Volume and pressure will be monitored remotely at the James Lake Gas Plant.

The pipeline will be constructed in a rural and sparsely populated area. The 100 parts per million (ppm) radius of exposure ("ROE") for Segment A is 3,576 feet and the 500 ppm ROE is 1,634 feet. JLM has conducted a field survey and identified one public receptor within the 100 ppm ROE. Four public roads (Highways 115, 158, 181, and FM 866) are within the 500 ppm ROE. These public impact points are included in the proposed application Contingency Plan.

Residents within the 100 ppm will be invited to participate in and/or observe annual drills. Procedures for notification, evacuation, and sheltering-in-place will be reviewed as part of the drills. Surveys will be conducted annually to determine if any new public receptors fall within the ROE, and they will be advised on potential hazards.

FINDINGS OF FACT

1. On January 29, 2016, JLM filed an application for a permit to construct a hydrogen sulfide gas pipeline in Ector and Winkler Counties.
2. On February 3, 2016, JLM notified the Ector and Winkler County Clerks of the application. On February 5, 2016, JLM published notice of the application in *The Odessa American*, a newspaper of general circulation in Ector County, and on February 11, 2016, published same notice in *The Winkler County News*, a newspaper of general circulation in Winkler county.

3. JLM proposes to construct a 31-mile long sour gas pipeline consisting of four segments (A, B1, B2, B3). Segment A is the only part of the proposed pipeline that falls under Statewide Rule 106. The remaining segments, B1, B2, B3, will all operate at a working pressure less than 50 psig.
 - a. Segment A will be 12 inches in diameter.
 - b. Segment A will carry a maximum of 30,000 mcf/day gas containing 10,000 parts per million (ppm) of H₂S.
 - c. The maximum operating pressure will be 1,275 psig.
4. The 100 ppm ROE is 3,576 feet and the 500 ppm ROE is 1,634 feet. The pipeline will be constructed in a rural and sparsely populated area.
 - a. One residential building is located within the 100 ppm ROE.
 - b. Four public roads (Highways 115, 158, 181, and FM 866) are within the 500 ppm ROE.
3. Pipeline materials and construction meet the NACE and API standards, as required by Statewide Rule 36 for hydrogen sulfide service.
4. The submitted contingency plan for the pipeline is in accordance and complies with the provisions of Statewide Rule 36(c)(9).
5. The pipeline will be constructed subject to Commission inspections for compliance with the appropriate Commission Rules pursuant to Statewide Rule 36.
6. The Commission's Field Operations Section and Oversight and Safety Division (Pipeline Safety) have reviewed the application and recommend approval.

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 § 3.46.
3. The application complies with Statewide Rules 36, 70 and 106.
4. Approving the application for a permit to construct and operate the proposed gas pipeline is consistent with the rules and safety standards adopted by the Commission.

EXAMINER'S RECOMMENDATION

The Examiner recommends that the Commission approve the application for authority pursuant to Statewide Rules 36, 70 and 106, to construct and operate the proposed "Winkler Lateral" pipeline, a hydrogen sulfide (H₂S) gas pipeline in Ector and Winkler Counties, as requested by James Lake Midstream, L.L.C.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner