



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0293786

**THE APPLICATION OF COG OPERATING LLC FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR VARIOUS WELLS AND FACILITIES, HOEFS T-K (WOLFCAMP) FIELD,
REEVES COUNTY, TEXAS**

HEARD BY: Karl Caldwell – Technical Examiner
Marshall Enquist – Hearings Examiner

ER & R: Prepared By: Richard Eyster, P.G.

HEARING DATE: December 3, 2014

CONFERENCE DATE: February 24, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Ana Maria Marsland-Griffith
Terrell (Terry) Pafford
Tami Parker

COG Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

COG Operating LLC (COG) requests one-year exceptions to Statewide Rule 32 to flare gas from various wells and facilities in the Hoefs T-K (Wolfcamp) Field in Reeves County, Texas. There are thirteen tank batteries: Big Chief Lease Battery 35, Big Chief Lease Battery 175-176, Big Chief Lease Battery 148, Hoefs Ranch State Lease 1-64, Hoefs Ranch State Lease 1-66, Carl H 55 Lease, McCoy Remme Ranch State 99-102, Hoefs Ranch State Lease 1-26, Hoefs Ranch State Lease 1-96,

Red Willow, Red Willow A, John H 95, and Kristen T 65 lease. All offset operators in the field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The examiners recommend approval of the exception to Statewide Rule 32 to flare casinghead gas as requested by COG.

DISCUSSION OF THE EVIDENCE

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. In this application, COG is requesting authority to flare gas produced by various wells and facilities as provided in Statewide Rule 32(h). There are thirteen tank batteries with multiple wells connected to each tank battery. The tank batteries are connected to a sales pipeline owned by Regency Field Services, LLC (Regency). However, due to capacity issues, Regency is not always able to accept all gas produced in the various fields. 16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than fifty MCFGD may be granted administratively for a period up to 180 days.

COG received administrative permits for the tank batteries effective 08/01/2014, through 11/30/2014. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing prior to the expiration of the administratively granted flare permit. COG requested an exception to flare hearing on 10/30/2014 to continue their flaring authority from 11/31/2014 to 12/1/2015 for the tank batteries and leases, as needed when the sales line is not available due to capacity constraints. COG is also requesting an increase in flaring amounts for several tank batteries due to additional wells being completed and coming on line.

COG and PennTex Permian LLC, (PennTex) are currently installing additional lines and compression facilities to relieve capacity constraints. The existing gas gathering infrastructure in the Hoefs T-K (Wolfcamp) Field was developed to gather gas from vertical wells. The current development activity is focused on horizontal wells and the existing infrastructure is not adequate to handle current production levels. When the gathering system capacity cannot handle the whole volume of produced gas, for safety reasons the gas is flared at the tank batteries. COG is working with Regency and another pipeline operator PennTex, to add backup capacity for periods when the Regency system may not be available to resolve the capacity issues. When the currently on-going improvements are complete, COG anticipates its gas will be sold, eliminating the need to flare. COG estimates that it needs one year of flaring authority until the system is upgraded.

COG's expert engineering witness, testified that shutting in the wells until the infrastructure is in place would harm the reservoir. According to COG, leaving the fluids in the formation may alter the wettability of the formation, reducing the relative permeability to oil, and thus reducing the ability to produce the oil from the wellbore.

Big Chief Lease Battery 35

An administrative flaring permit (No.18715) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 197 MCFG/D casinghead gas. COG is requesting authority to flare increase the flare volume to 1.5 MMCFG/D for a period of one year from 01/31/2015 to 12/01/2015 due to an additional well being completed and coming on line in 2015.

Big Chief Lease Battery 175-176

An administrative flaring permit (No. 18716) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 197 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume to 3011 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

Big Chief Lease Battery 148

An administrative flaring permit (No. 18714) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 197 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume to 1016 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

Hoefs Ranch State Lease 1-26

An administrative flaring permit (No. 18709) was issued on 08/01/2014 and expired on 11/30/2014. For the last term permit, COG was authorized to flare 583 MCFG/D casinghead gas. COG is requesting authority to flare 350 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

Hoefs Ranch State Lease 1-96

An administrative flaring permit (No. 18710) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 72 MCFG/D casinghead gas. COG is requesting authority to flare 70 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

Hoefs Ranch State Lease 1-64

An administrative flaring permit (No. 18711) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 55 MCFG/D casinghead gas. COG is requesting authority to flare 58 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

Hoefs Ranch State Lease 1-66

An administrative flaring permit (No. 18712) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 40 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume from 40 MCFG/D to 108 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

Carl H 55

An administrative flaring permit (No. 19340) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 55 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume from 55 MCFG/D to 200 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

McCoy Remme Ranch State 99-102

An administrative flaring permit (No. 18707) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 278 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume from 278 MCFG/D to 342 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

Red Willow

An administrative flaring permit (No. 18706) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 339 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume from 339 MCFG/D to 1.0 MMCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

Red Willow A

An administrative flaring permit (No. 19341) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 102 MCFG/D casinghead gas. COG is requesting author to increase the flare volume form 102 MCFG/D to 1.0 MMCFG/D for a period of one year from 12/01/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

John H 95

An administrative flaring permit (No. 18708) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 354 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume from 354 MCFG/D to 417 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

Kristen T 65

An administrative flaring permit (No. 18713) was issued on 08/01/2014 and expired on 11/30/2014. For the last term of the permit, COG was authorized to flare 132 MCFG/D casinghead gas. COG is requesting authority to increase the flare volume from 132 MCFG/D to 333 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015. The requested increase in MCFG/D is due to an additional well being completed and coming on line.

For all of these facilities, COG only flares when necessary based on pressure in the sales line. At any time a portion of the volume being flared may, in fact, be produced by wells within their first 10-days following completion, a time in which all wells in the State have an exception to flare under Statewide Rule 32. In many cases, the individual wells contributing gas to a tank battery facility would qualify for a permanent exception to Rule 32 because, individually, they would need to flare less than 50 MCFG/D. The requested increase in MCFG/D for some of the tank batteries is due to additional wells being completed and coming on line in 2015. COG believes that, once complete, the infrastructure improvements will eliminate the need to flare going forward.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. There were no protests to the application.
2. The existing gas gathering infrastructure in the Hoefs T-K (Wolfcamp) Field was developed to gather gas from vertical wells and does not have the capacity to accept all of the casinghead gas produced in the field from newer horizontal wells.
3. COG is working with Regency and other pipeline operators to resolve the capacity issues. Completion of the currently on-going improvements will eliminate the continued need to flare casinghead gas.
4. COG requested an exception to flare hearing on 10/30/ 2014 to continue flaring authority from 11/31/2014 to 12/1/2015 as needed when the sales line is not available due to capacity constraints.

5. For the Big Chief Lease Battery 35 an administrative flaring permit (No. 18715) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the term of the permit, COG was authorized to flare 197 MCFG/D casinghead gas.
 - b. COG is requesting authority to increase the flare volume to 1.5 MMCFG/D from 11/31/2014 to 12/01/2015 for a period of one year.
 - c. The requested increase in MCFG/D from 197 MCG/D to 1.5 MMCFG/D is due to an additional well being completed and coming on line.

6. For the Big Chief Lease Battery 148 an administrative flaring permit (No. 18714) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the term of the permit, COG was authorized to flare 197 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 1016 MCFG/D for a period of one year.
 - c. The requested increase in volume from 197 MCFG/D to 1016 MCFG/D is due to an additional well being completed and coming on line.

7. For the Big Chief Lease Battery 175-176 an administrative flaring permit (No. 18176) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 197 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 3011 MCFG/D for a period of one year.
 - c. The requested increase in MCFG/D from 197 MCFG/D to 3011 MCFG/D is due to an additional well being completed and coming on line.

8. For the Hoefs Ranch State Lease 1-26 an administrative flaring permit (No. 18709) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 583 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 350 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

9. For the Hoefs Ranch State Lease 1-96 an administrative flaring permit (No. 18710) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 72 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 70 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

10. For the Hoefs Ranch State Lease 1-64 an administrative flaring permit (No. 18711) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 55 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 58 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

11. For the Hoefs Ranch State Lease 1-66 an administrative flaring permit (No. 18712) was issued on 08/01/2014 and expired on 11/30/2014.

 - a. For the last term of the permit, COG was authorized to flare 40 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 108 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.
 - c. The requested increase in MCFG/D from 40 MCFG/D to 108 MCFG/D is due to an additional well being completed and coming on line.

12. For the Carl H55 an administrative flaring permit (No. 19340) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 70 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 200 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.
 - c. The requested increase in MCFG/D from 70 MCFG/D to 200 MCFG/D is due to an additional well being completed and coming on line.

13. For the McCoy Remme Ranch State 99-102 an administrative flaring permit (No. 18707) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 278 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 342 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.
 - c. The requested increase in MCFG/D from 278MCFG/D to 342 MCFG/D is due to an additional well being completed and coming on line.

14. For the Red Willow an administrative flaring permit (No. 18706) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 339 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 1.0 MMCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

15. For the Red Willow A an administrative flaring permit (No. 19341) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 102 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 1.0 MMCFG/D for a period of one year from 11/31/2014 to 12/01/2015.
 - c. The requested increase in MCFG/D from 102 MCFG/D to 1.0 MMCFG/D is due to an additional well being completed and coming on line.

16. For the John H 95 an administrative flaring permit (No. 18708) was issued on 08/01/2014 and expired on 11/30/2014.
 - a. For the last term of the permit, COG was authorized to flare 354 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 417 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.

- c. The requested increase in MCFG/D from 354 MCFG/D to 417 MCFG/D is due to an additional well being completed and coming on line.
17. For the Kristen T 65 an administrative flaring permit (No. 18713) was issued on 08/01/2014 and expired on 11/30/2014.
- a. For the last term of the permit, COG was authorized to flare 132 MCFG/D casinghead gas.
 - b. COG is requesting authority to flare 333 MCFG/D for a period of one year from 11/31/2014 to 12/01/2015.
 - c. The requested increase in MCFG/D from 132 MCFG/D to 333 MCFG/D is due to an additional well being completed and coming on line.
17. Shutting in the wells until the infrastructure is in place may harm the reservoir and result in waste of oil.

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 exception to Statewide Rule 32 to flare casinghead gas from various wells and facilities in the Hoefs T-K (Wolfcamp) Field in Reeves County, Texas for a period of one year meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h).

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to Statewide Rule 32 for the various wells and facilities, as requested by COG.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Marshall Enquist
Hearings Examiner