



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0278124

THE APPLICATION OF LEGACY RESERVES OPERATING LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE UNIVERSITY CONSOLIDATED XIII TANK BATTERY, MAGUTEX (DEVONIAN) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

DATE OF HEARING: September 24, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Georgé C. Neale
Blain Lewis

Legacy Reserves Operating LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Legacy Reserves Operating LP ("Legacy") requests an exception to Statewide Rule 32 to flare 100 MCFPD of casinghead gas through June 2013 from the University Consolidated XIII Tank Battery, Magutex (Devonian) Field, Andrews County, Texas.

Notice was provided to offset operators surrounding the above referenced lease. The application is unopposed and the examiners recommend approval of an exception to Statewide Rule 32, as requested by Legacy.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCFGPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, Legacy is requesting to flare 100 MCFPD of casinghead gas through June 2013 from the University Consolidated XIII Tank Battery, as provided by Statewide Rule 32(h).

The University Consolidated XIII Tank Battery is located in eastern Andrews County, approximately 11 miles east of the town of Andrews, Texas. This area of the Spraberry (Trend Area) Field is undergoing rapid development and lacks existing oil and gas infrastructure for new gas production. The purchaser in the area, DCP Midstream ("DCP"), does not have the capacity necessary to take and process all of the gas that is being produced. As a result, DCP is having to curtail gas purchases from Legacy and other operators in the area. DCP can only handle up to 200 MCFGPD from the University Consolidated XIII Tank Battery.

Legacy received administrative Permit No. 11176 to flare 170 MCFPD of casinghead gas from its University Consolidated XIII Tank Battery. The permit was effective March 1, 2012, and expired on August 30, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.

Legacy received a letter from DCP Midstream in September 2012 stating that DCP was expanding its gas gathering system. DCP has a project underway to loop approximately 3.6 miles of gas gathering pipeline and install additional compression facilities. DCP expects start-up of the new facilities to occur by the end of the first quarter of 2013. Legacy requests an exception to Statewide Rule 32 to flare 100 MCFPD of casinghead gas through June 2013 from the University Consolidated XIII Tank Battery. An exception to Statewide Rule 32 for the University Consolidated XIII Tank Battery will give DCP time to complete the gas gathering system expansion.

Legacy stated that the wells producing into the University Consolidated XIII Tank Battery are completed with submersible pumps. The wells produce large volumes of water and Legacy opined that it would lose oil reserves if it had to shut-in the wells due to the gas curtailment. The wells currently produce 140 BOPD and over 10,000 BWPD with a water to oil ratio of 75. Legacy submitted an operating statement for the University Consolidated XIII Tank Battery, which showed that the value of the gas produced equaled only 2% of the total tank battery revenue.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. There were no protests to the application.
2. The University Consolidated XIII Tank Battery is located in eastern Andrews County, approximately 11 miles east of the town of Andrews, Texas.
 - a. This area of the Spraberry (Trend Area) Field is undergoing rapid development and lacks existing oil and gas infra-structure for new gas production.

- b. The purchaser in the area, DCP Midstream (“DCP”), does not have the capacity necessary to take and process all of the gas that is being produced.
 - c. DCP is having to curtail gas purchases from Legacy Reserves Operating LP (“Legacy”) and other operators in the area.
 - d. DCP can only handle up to 200 MCFGPD from the University Consolidated XIII Tank Battery.
3. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
 - a. Legacy Reserves Operating LP (“Legacy”) received administrative Permit No. 11176 to flare 170 MCFPD of casinghead gas from its University Consolidated XIII Tank Battery.
 - b. The permit was effective March 1, 2012, and expired on August 30, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. Legacy received a letter from DCP Midstream in September 2012 stating that DCP was expanding its gas gathering system.
 - a. DCP has a project underway to loop approximately 3.6 miles of gas gathering pipeline and install additional compression facilities.
 - b. DCP expects start-up of the new facilities to occur by the end of the first quarter of 2013.
 - c. Legacy requests an exception to Statewide Rule 32 to flare 100 MCFPD of casinghead gas through June 2013 from the University Consolidated XIII Tank Battery.
 - d. An exception to Statewide Rule 32 for the University Consolidated XIII Tank Battery will give DCP time to complete the gas gathering system expansion.
5. An exception to Statewide Rule 32 to flare 100 MCFPD of casinghead gas through June 2013 from the University Consolidated XIII Tank Battery is appropriate.

- a. The wells producing into the University Consolidated XIII Tank Battery are completed with submersible pumps.
- b. The wells produce large volumes of water and oil reserves will be lost if the wells are shut-in due to the gas curtailment.
- c. The wells currently produce 140 BOPD and over 10,000 BWPD with a water to oil ratio of 75.
- d. An operating statement for the University Consolidated XIII Tank Battery shows that the value of the gas produced equals only 2% of the total tank battery revenue.

CONCLUSIONS OF LAW

- 1. Proper notice was issued as required by all applicable statutes and regulatory codes.
- 2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
- 3. Approval of the requested authority pursuant to Statewide Rule 32 will prevent waste and will not harm correlative rights.

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 to flare 100 MCFPD of casinghead gas through June 2013 from the University Consolidated XIII Tank Battery, as requested by Legacy Reserves Operating LP.

Respectfully submitted,



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Technical Examiner



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