



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0296174**

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**THE APPLICATION OF COG OPERATING LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR THE ROUGH RIDER AND ROASTED GOAT FACILITIES, HOEFS T-K (WOLFCAMP) FIELD, REEVES AND PECOS COUNTIES, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Randall Collins – Hearings Examiner

**HEARING DATE:** May 12, 2015

**CONFERENCE DATE:** June 9, 2015

**APPEARANCES:**

Ana Maria Marsland-Griffith  
Tami Parker  
Terry Pafford

**REPRESENTING:**

COG Operating LLC

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) COG Operating LLC (COG), requests authority to flare 467 thousand cubic feet (MCF) of casinghead gas per day from the Rough Rider (Permit No. 19339), and 800 MCF gas per day from the Roasted Goat (Permit No. 19342) facilities in the Hoefs T-K (Wolfcamp) Field, Reeves and Pecos Counties, Texas. COG requests flaring authority for a period of one year from the expiration dates of the administrative permits at the two facilities. At both facilities, COG faces limitations in gas sales and transmission capabilities from its contract pipeline purchaser, and is working to resolve these issues. The application was not protested.

#### DISCUSSION OF 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. Statewide Rule 32 provides operators with the ability to request authority to flare gas in

certain situations, including those in which adequate gas gathering and transmission system capacity is insufficient.

The subject wells are on the edge of Wolfcamp development in Reeves and Pecos County. Gas transmission capacity is currently insufficient to meet industry need. COG has a contract to sell gas produced from the Rough Rider and Roasted Goat leases to Regency Pipeline. However, COG continues to experience sustained interruptions in Regency's ability to accept the gas because of insufficient system capacity and high line pressures. Through this hearing, COG seeks extended authority to flare gas while it finalizes other options for marketing its gas through Regency and another pipeline operator.

### **Rough Rider Facility**

The Rough Rider tank battery includes one flare stack. The tank battery currently serves one well (No. 4506H), and more wells are planned for the lease. COG obtained administrative flare permit no. 19339 on September 1, 2014, and extended the permit until April 29, 2015, for a total of 180 days of actual flaring activity. This permit authorized COG to flare up to 467 MCF gas per day from the facility. During the administrative permit, COG flared an average of 443 MCF gas per day.

COG testified that Regency Pipeline is underperforming its contractual obligations to purchase COG's gas produced from the Rough Rider lease. Regency is currently expanding its capacity, but has declined to offer a date by which the expansion will be complete, other than a general statement of "about six months." Therefore, COG is exploring other options, including obtaining right-of-way and constructing a pipeline connection to a PennTex Permian pipeline receipt point.

COG requests authority to continue to flare 467 MCF per day casinghead gas for a period of one year, from April 30, 2015, through April 29, 2016. This authority will allow COG to continue to produce oil from the well while the gas gathering system upgrades are completed.

COG estimates that, without flaring authority, the Rough Rider well would have to be shut-in. This well has produced 109 thousand barrels of oil and 161 million cubic feet gas. The estimated ultimate recovery is 523 thousand barrels of oil and 865 million cubic feet gas.

### **Roasted Goat Facility**

The Roasted Goat tank battery includes one flare stack. The tank battery currently serves one well (No. 1006H). The well has underperformed expectations, COG is currently

re-evaluating the lease. At this time, no more wells are planned for the lease. COG obtained administrative flare permit no. 19342 on September 1, 2014, and extended the permit until March 27, 2015, for a total of 180 days. This permit authorized COG to flare up to 778 MCF gas per day from the facility. During the administrative permit, COG flared an average of 1,107 MCF gas per day.

Due to the capacity limitations and contract under-performance of Regency Pipeline, COG has obtained right-of-way to construct a gathering line to connect to PennTex Permian's gas receipt point several miles west of the Roasted Goat Facility. COG anticipates the pipeline connection will be made in July 2015, allowing for gas produced from the Roasted Goat facility to be sold.

COG requests authority to flare 800 MCF per day casinghead gas for a period of one year, from March 28, 2015, through March 27, 2016. This authority will allow COG to continue to produce oil from the well while the gas gathering system upgrades are completed.

COG estimates that, without flaring authority, the Roasted Goat well would have to be shut-in. This well has produced 73 thousand barrels of oil and 160 million cubic feet gas. The estimated ultimate recovery is 439 thousand barrels of oil and 1.61 billion cubic feet gas.

#### **FINDINGS OF FACT**

1. All parties entitled to notice were notified at least 10 days prior to the hearing.
2. COG Operating LLC produces oil and casinghead gas from its Rough Rider Well No. 4506H, and its Roasted Goat Well No. 1006H, in the Hoefs T-K (Wolfcamp) Field in Reeves and Pecos Counties, Texas.
3. COG has obtained the maximum 180 day administrative exceptions to flare gas from the subject leases.
  - a. Administrative flare permit no. 19339 authorized COG to flare up to 467 MCF gas per day from September 1, 2014, to April 29, 2015. During this time COG flared an average of 443 MCF gas per day.
  - b. Administrative flare permit no. 19342 authorized COG to flare up to 778 MCF gas per day from September 1, 2014, to March 27, 2015. During this time COG flared an average of 1,107 MCF gas per day.
4. Regency Pipeline, the contract gas purchaser, is not able to purchase the produced gas from the two leases due to capacity and pressure limitations.

- a. Regency is working to expand its capacity, but has not specified a date by which the improvements will be completed.
5. COG has begun to obtain right-of-way to construct gathering lines from both tank battery facilities to PennTex Permian pipeline receipt points.
6. COG anticipates it will be able to sell gas from its Roasted Goat Facility to PennTex Permian by the end of July 2015.
7. A Final Order authorizing COG to flare up to 467 MCF gas per day from the Rough Rider Facility and up to 800 MCF gas per day from the Roasted Goat Facility will allow COG to continue to produce the oil reserves from these two leases.

**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 § 1.45
3. All requirements of Statewide Rule 32 have been satisfied. 16 Tex. Admin. Code § 3.32

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend the requested exception to Statewide Rule 32 be granted.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Randall Collins  
Hearings Examiner