



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0295883

THE APPLICATION OF COG OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE OLD HICKORY STATE BATTERY, PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0295884

THE APPLICATION OF COG OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS AND FACILITIES, WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

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THE APPLICATION OF COG OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE RAWHIDE STATE BATTERY, WOLFBONE (TREND AREA) AND TWO GEORGES (BONE SPRING) FIELDS, REEVES COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
John Dodson – Legal Examiner

DATE OF HEARING: May 1, 2015
DATE OF CONFERENCE: June 9, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Ana Maria Marsland Griffith
Terrell Pafford
Tami Parker

COG Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

COG Operating, LLC ("COG") requests an exception to Statewide Rule 32 to flare casinghead gas from the various tank batteries listed in Table 1. Notice was provided to offset operators surrounding the subject tank batteries and no protests were received. The applications are unopposed and the Examiners recommend approval of an exception to Statewide 32 to flare casinghead gas for each of the requested tank batteries for a period of one year.

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 MCFPD may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. In the context of the subject applications, COG is requesting an exception to flare casinghead gas produced from the subject tank batteries as provided by Statewide Rule 32(h).

COG's primary gas partner is Regency Energy Partners ("Regency") in the Wolfbone (Trend Area), Two Georges (Bone Springs), and the Phantom (Wolfcamp) Fields in Reeves County. The Commission received a hearing request from COG on February 26, 2015 for a one year exception to Statewide Rule 32 to flare casinghead gas from each of the tank batteries listed in Table 1. All of these tank batteries have previously received flaring permits, and all of the tank batteries listed in Table 1 are currently connected to the Regency gathering system. The issue in this area of Reeves County is a surface facility problem. The Regency system in the area is considered an older system by today's standards. The system was designed to gather gas from vertical well completions in volumes that averaged 100 to 200 Mcf per day. COG's witness stated that most horizontal wells in these fields produce 1 MMcf to 1.5 MMcf per day at initial completion.

Regency is in the process of making improvements to their gas gathering system. Regency has plans to expand existing stations with more compression units as well as laying additional pipelines. A new plant, the Mi Vido Cryo, is under construction which will "pull away" an additional 2 MMcf of gas per day which will also help to lower the Regency system pipeline pressure in other areas.

In an effort to avoid flaring without shutting in oil wells, COG has contacted PennTex, another gas gatherer in the area. COG has reached an agreement with PennTex, and at several of COG's tank batteries a dual meter is installed which allows

gas to be sold to Regency or PennTex. If COG is unable to get into the Regency line due to high line pressure or any other reason, COG can sell gas to PennTex.

COG plans to continue to drill and produce horizontal wells in the Wolfbone (Trend Area), Two Georges (Bone Springs), and the Phantom (Wolfcamp) Fields in Reeves County. The oil reservoir in these fields is a solution gas reservoir, and as oil is produced, associated gas is produced. COG is unable to bring new wells on-line without flaring authority when there is insufficient pipeline capacity for the associated gas. COG plans to have one rig drilling wells in this area of Reeves County throughout 2015 and into 2016. The average well takes 45 days to drill, therefore, a new well is brought on-line approximately every 45 days (the time to drill and complete a well). COG expects to have casinghead gas entering the gas gathering systems in the area for at least the next two years. Granting flaring authority for a period of one year for the tank batteries listing in Table 1 will allow COG to bring new wells on-line, while existing wells connected to the tank battery continue to decline in the amount of gas produced.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the applications.
2. Wells completed in the Wolfbone (Trend Area), Two Georges (Bone Springs), and the Phantom (Wolfcamp) Fields in Reeves County are connected to the tank batteries listed in Table 1.
3. The Commission received a hearing request from COG on February 26, 2015 for a one year exception to Statewide Rule 32 to flare casinghead gas from each of the tank batteries listed in Table 1.
4. COG is requesting a flare permit for a period of one year for each of the tank batteries listed in Table 1.
5. All of the tank batteries listed in Table 1 are currently connected to the Regency gathering system
6. The tank batteries listed in Table 1 have previously received a flaring permit.
7. The Regency system in this area of Reeves County is an older system and unable to handle all gas produced at this time.
8. Regency is in the process of adding a new plant, as wells making improvements to their current gas gathering system.

9. COG has reached an agreement with PennTex, another gas gatherer in the area.
10. At several of COG's tank batteries a dual meter is installed which allows gas to be sold to Regency or PennTex.
11. COG is drilling and producing horizontal wells in the Wolfbone (Trend Area), Two Georges (Bone Springs), and the Phantom (Wolfcamp) Fields in Reeves County. The oil reservoir in these fields is a solution gas reservoir, and as oil is produced, associated gas is produced. COG is unable to bring new wells on-line without flaring authority when there is insufficient pipeline capacity for the associated gas.

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. The requested authority to flare casinghead gas satisfies the requirements of Title 16, Texas Administrative Code 3.32(h).

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the request by COG Operating, LLC for an exception to Statewide Rule 32 for the tank batteries listed in Table 1. The exception is granted for the maximum volumes listed for each tank battery as shown in Table 1 for a period of one year from the date the hearing request was received.

Respectfully submitted,



Karl Caldwell
Technical Examiner



John Dodson
Legal Examiner

TABLE 1: TANK BATTERY INFORMATION**Oil and Gas Docket No. 08-0295883**

Tank Battery	Lease No.	Current Administrative Permit No.	Current Administrative Permit Expiration Date:	Flare Volume Requested (Mcf/d)
Old Hickory State Battery	08-45421	18722	12/31/2014	662

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Tank Battery	Lease No.	Current Administrative Permit No.	Current Administrative Permit Expiration Date:	Flare Volume Requested (Mcf/d)
Dubya State 12 Battery	08-41620	16097	Application Pending	136
Lion State Battery	08-43578	18721	Application Pending	750
Tricky Dick Battery	08-44801	18597	Application Pending	103
Trustbuster Battery	08-44096	17948	Application Pending	552
Tycoon C Battery	Pending	18720	Application Pending	1,117
Gipper State West	08-43845	16095	8/27/2014	169

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Tank Battery	Lease No.	Current Administrative Permit No.	Current Administrative Permit Expiration Date:	Flare Volume Requested (Mcf/d)
Rawhide State Battery	08-43100	18723	Application Pending	631