



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0322912

APPLICATION OF COG OPERATING LLC (166150) TO CANCEL OVERPRODUCTION FOR THE WHATCHA WANT A UNIT, (NO. 51732) LEASE, TWO GEORGES (BONE SPRING) FIELD, WARD COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. - Technical Hearings Examiner
Jennifer Cook - Administrative Law Judge

HEARING DATE: November 8, 2019

CONFERENCE DATE: December 17, 2019

APPEARANCES:

APPLICANT:

Ana Maria Marsland
Tami Parker, Regulatory Supervisor
Shane Brannan, Operations Engineer

REPRESENTING:

COG Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

COG Operating, LLC ("COG") seeks cancellation of accrued overproduction for its Whatcha Want A Unit (51732) Lease ("Lease") in the Two Georges (Bone Spring) Field ("Field") (Field No. 92100050) in Ward County, Texas.

The requested relief being sought by COG will allow the operator time to perform an assessment to evaluate if the oil allowance and/or net gas limit should be modified for only the Lease or if the change should be on a field-wide basis.

Notice was given to operators in the Field. The application was not protested, and no protesting party appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend cancellation of overproduction accumulated on the Lease as set out in the Final Order be granted.

DISCUSSION OF THE EVIDENCE

The Field is classified as an oil field in Ward County, Texas. Ms. Tami Parker, COG Regulatory Affairs Supervisor for the Delaware Basin, testified that the Field is subject to 16 Tex. Admin. Code § 3.49 ("Statewide Rule 49"), which sets the gas/oil ratio at 2000 scf/barrel. Because the Lease production is in excess of the 2000:1 gas/oil ratio established by Statewide Rule 49, the overproduction of gas may result in the Lease wells being shut-in if the relief being sought in the hearing is not approved. COG received notification from the Commission proration section in July and August 2019, regarding a violation of Statewide Rule 49, relating to appropriate gas/oil ratios on COG's leases in the Field. The November 2019 proration schedule reflects a penalized daily oil allowable for two of the four wells on the Lease. The Commission technical staff indicated that resolution could be on a lease or field-wide basis.

COG is seeking cancellation of overproduction so a study can be performed to determine if a lease or field-wide change should be made to accommodate their production activities. Mr. Shane Brannan, the COG reservoir engineer, testified that the Field is an unconventional reservoir that includes production from the Bone Spring and Wolfcamp formation. He also testified, efficient development of existing oil and gas reserves require horizontal wells with significant fracture stimulation. All wells on the Lease have been fracture-stimulated and have electric submersible pumps (ESPs). Mr. Brannan testified that choking the Lease wells back have not resulted in any material change to the gas/oil ratio. He presented evidence in the hearing which included production data that showed varying frequencies of ESP, which adjust a well's pumping rate. Mr. Brannan concluded that the pumping rate has not been a relevant factor in changing the gas/oil ratio on the Lease. Because the wells on the Lease cannot produce in compliance with Statewide 49's gas/oil ratio standard, the wells out of compliance with the overage will need to be shut-in or a change through a demonstration must be performed. Absent production of these wells at their actual producing gas/oil ratios will result in waste. Mr. Brannan further testified that the overproduction that has accrued on the Lease has prevented waste and has not adversely affected any other operator. COG has commenced its study of the Field and Mr. Brannan testified that more than 60 percent of the wells studied to date, including the Lease wells, produce at a gas/oil ratio significantly in excess of the statewide 2000:1 gas/oil ratio standard established in the statewide rule.

COG's application for an amendment to the field rules to set a field specific gas oil ratio is moving forward and that should resolve the continuing problem with overproduction attributable to the high volumes of casinghead gas.

At the hearing, COG agreed on the record that the Final Order in this case is to be final and effective when the Master Order relating to the Final Order is signed.

FINDINGS OF FACT

1. COG Operating, Inc. ("COG") seeks cancellation of accrued overproduction for its Whatcha Want A Unit (51732) Lease ("Lease"), Two Georges (Bone Spring) Field ("Field") in Ward County, Texas.
2. COG submitted its request for a hearing on September 4, 2019.

3. On October 11, 2019, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to the Applicant and all operators of record in the field, setting a hearing date of November 8, 2019. All parties received more than the 10-day notice. The Notice contained (1) a statement of the time, place and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted.
4. The hearing was held on November 8, 2019. Applicant appeared. No one appeared in protest.
5. The hearing was held on November 8, 2019.
6. The Field is subject to Statewide Rule 49, which sets the gas/oil ratio at 2000:1 standard cubic feet of gas for each barrel of oil (scf/barrel).
7. COG received notification from the Commission proration section in July and August 2019, regarding a violation of Rule 49, relating to appropriate gas oil ratios on their leases in the Field.
8. The November 2019 proration schedule reflects a penalized daily oil allowable for one well on the Lease.
9. The Lease overproduced oil and gas and is subject to seal in absent of the relief requested in the hearing.
10. The Field is an unconventional reservoir that includes production from the Bone Spring and Wolfcamp geologic formations.
11. Effective and efficient development of existing reserves requires horizontal wells with significant fracture stimulation. All wells have been fracture-stimulated and have electric submersible pumps (ESPs).
12. Well production shows that the Lease and the Field produce at a much higher gas/oil ratio than the 2,000:1 scf/barrel established by statewide rule.
13. At the hearing, COG agreed on the record that the Final Order in this docketed case is to be final and effective when a Master Order relating to this Final Order is signed.

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 § 1.42.
3. Cancellation of the overproduction attributable to production from Whatcha Want A

Unit Lease will prevent waste and protect correlative rights.

4. Pursuant to § 2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant on the record, the Final Order can be final and effective when a Master Order relating to the Final Order is presented at Commission conference and signed by the Commissioners.

EXAMINER'S RECOMMENDATION

Based on the evidence presented in the hearing and the above findings of facts and conclusions of law, the Examiners recommend that COG's application to cancel accrued overproduction attributable to the Whatcha Want A Unit, (Lease No. 51732) in the Two Georges (Bone Spring) Field in Ward County, Texas, be approved as set out in the proposed Final Order.

Respectfully submitted,



Robert Musick
Technical Hearings Examiner



Jennifer Cook
Administrative Law Judge