

WAYNE CHRISTIAN, *CHAIRMAN*
CHRISTI CRADDICK, *COMMISSIONER*
RYAN SITTON, *COMMISSIONER*



DANA AVANT LEWIS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0323178

APPLICATION OF COG OPERATING LLC (166150) TO CONSIDER THE CANCELLATION OF OVERPRODUCTION FOR THE FUNKY BOSS B LEASE, WOLFBONE (TREND AREA) FIELD, WARD COUNTY, TEXAS

HEARD BY: Austin Gaskamp, Technical Examiner
Kristi M. Reeve, Administrative Law Judge

HEARING DATE: December 9, 2019

CONFERENCE DATE: March 31, 2020

APPEARANCES:

Ana Maria Marsland, Attorney
Tami Parker, Regulatory Affairs Supervisor
Shane Brannan, Engineer

REPRESENTING:

COG Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

COG Operating, LLC ("COG") seeks cancellation of accumulated overproduction for the Funky Boss B (51783) Lease ("Lease") in the Wolfbone (Trend Area) Field ("the Field"), Ward County, Texas.

The requested relief sought by COG will allow the operator time to perform an assessment to evaluate potential gas well reclassification for its high gas-oil ratio ("GOR") wells on a field-wide basis.

The application is not protested. The Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend the cancellation of overproduction be granted as requested.

DISCUSSION OF THE EVIDENCE

The Field (No. 98359800) was discovered on November 30, 2010. The top oil allowable in the Field is 843 barrels of oil per day (“BOPD”) based on the 1965 Yardstick. At the time of the hearing the Funky Boss B Lease was being penalized to a daily oil allowable of 477 BOPD due to casinghead gas overproduction. Ms. Tami Parker, COG Regulatory Affairs Supervisor, testified that the Field is subject to 16 Tex. Admin. Code § 3.49 (“Statewide Rule 49”), which sets the GOR at 2000:1 standard cubic feet per barrel (“scf/bbl”). Because the Lease production is in excess of the 2000:1 GOR established by Statewide Rule 49, the overproduction of gas may result in the Lease’s well being shut-in if the relief being sought in the hearing is not approved. The daily gas limit on the Lease is 2290 thousand cubic feet per day (“Mcf”). The Lease’s latest potential test demonstrated a producing GOR of 4801 scf/bbl.

On September 4, 2019, correspondence from the Railroad Commission of Texas (“Commission”) was sent to COG regarding overproduction on the Lease. The Commission’s letter outlined the intent to cancel the P-4’s certificate of compliance for the Lease because of casinghead gas overproduction. COG indicates in correspondence dated February 21, 2020, the current casinghead gas overproduction is 241524 Mcf.

On September 17, 2019, COG sent a letter requesting a hearing to cancel the accrued overproduction. Currently COG is not seeking an increased Net GOR daily gas limit because it has plans to seek gas well reclassification for wells in the Field.

On November 14, 2019, the Hearings Division sent a Notice of Hearing, to all parties entitled to notice, at least ten days prior to the date of the hearing. No protests or intents to appear were received from the Notice of Hearing.

A hearing was held on December 9, 2019. In the hearing, COG requested cancellation of overproduction.

Evidence in the record shows that many of the wells in the Field demonstrate producing GOR’s higher than the prescribed 2000:1 scf/bbl applicable to the Field. The Lease has produced at an average GOR of 4148 since completion. COG’s expert witness Mr. Shane Brannan, Engineer for COG, testified there is no pattern in geology or geography that would indicate a trend of GOR distribution for wells above 2000 scf/bbl in the Field. Mr. Brannan testified to an increasing GOR trend across the Field over time. Mr. Brannan also testified that the reservoir cannot produce oil and associated gas under the statewide GOR of 2000 scf/bbl. COG attempted production optimization of its electric submersible pump (“ESP”) by varying the frequency to try to reduce the producing GOR, but was not successful in doing so. Mr. Brannan concluded that the pumping rate has not been a relevant factor in changing the GOR on the Lease. Because the well on the Lease cannot produce in compliance with Statewide Rule 49’s GOR standard, the wells out of compliance with the overage will need to be shut-in.. The examiners note the flowing bottom hole pressure declines stably as the GOR increases slightly over time, as

expected, indicating an efficient production profile without mechanical fault or waste of reservoir drive energy.

The Examiners recommend approval of the requested cancellation of overproduction from the Lease.

FINDINGS OF FACT

1. COG seeks the cancellation of overproduction for the Funky Boss B Lease, Wolfbone (Trend Area) Field, Ward County, Texas.
2. COG submitted its request for hearing to consider cancellation of overproduction on September 17, 2019.
3. On November 14, 2019, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of December 9, 2019. Consequently, the parties received more than 10 days' notice. The Notice contains (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. The hearing was held on December 9, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
4. The Funky Boss B Lease produces at a high gas-oil ratio in excess of 2000:1 GOR limit prescribed by Statewide Rule 49. Cancelling overproduction will increase the ultimate recovery of hydrocarbons from the well, while protecting correlative rights.
5. COG received notification from the Commission's Proration Unit in September 2019, regarding a violation of Statewide Rule 49, relating to appropriate GOR on COG's leases in the Field.
6. The Lease overproduced oil and gas and is subject to cancellation of its P-4 certificate of compliance absent of the relief requested in the hearing.
7. Well production shows that the Lease and the Field produce at a much higher GOR than the 2,000:1 scf/bbl established by Statewide Rule 49.
8. 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 §§ 1.43 and 1.45.
3. Cancellation of the overproduction attributable to production from Funky Boss B (51783) 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, the Final Order in this case is effective when a Master Order relating to the Final Order is signed at Conference.

RECOMMENDATION

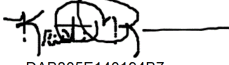
Based on the evidence presented in the hearing and the above findings of facts and conclusions of law, the Examiners recommend that COG's application to cancel accrued overproduction attributable to the Funky Boss B (51783) Lease in the Wolfbone (Trend Area) Field, Ward County, Texas, be approved as set out in the proposed Final Order.

Respectfully submitted,

/s/ Austin Gaskamp

Austin Gaskamp

Technical Hearings Examiner

DocuSigned by:

DAB305E140194B7...

Kristi M. Reeve

Administrative Law Judge