



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0294819

THE APPLICATION OF LINN OPERATING, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR VARIOUS GARDENDALE LEASES, SPRABERRY (TREND AREA) FIELD, ECTOR COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0292745

THE APPLICATION OF LINN OPERATING, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE GARDENDALE CENTRAL TANK BATTERY, SPRABERRY (TREND AREA) FIELD, ECTOR COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Cecile Hanna – Legal Examiner

REVIEWED BY: John Dodson – Legal Examiner

HEARING DATE: February 11, 2015
RECORD CLOSED: February 27, 2015
SUBMISSION DATE: June 30, 2014
CONFERENCE DATE: July 14, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

D. Davin McGinnis
James Clark, P.E.

Linn Operating, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

LINN Operating, Inc. ("LINN") was the only party present at the public hearing held on February 11, 2015, to consider the above-captioned dockets. At the hearing, counsel on behalf of LINN requested (1) to consolidate the subject applications into a joint record; and (2) with regard to Oil and Gas Docket No. 08-0294819, that Supplemental Notice of Hearing be issued to Diamondback E&P, LLC.

On February 13, 2015, the Examiners issued a letter to Diamondback E&P, LLC, that explained LINN's relief sought in Oil & Gas Docket No. 08-0294819 and offered Diamondback the opportunity to protest. No protest was filed by Diamondback.

Pursuant to 16 Tex. Admin. Code §3.32, LINN seeks authority to flare casing-head gas in the following manner:

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- The above docket is limited to lease numbers 08-40616, 42312, 43017, 40518, 40553, 40761, 40615, 40446, 40523, 40509, 40668, and 41018 ("Group Leases").
- Collectively, 3,500,000 cubic feet of casing-head gas per day ("3,500 MCFGD") of commingled casing-head gas, which originates from the Group Leases, at two flare points through May 31, 2015.

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- The above docket is limited to a single flare point located on the Gardendale Central Tank Battery ("CTB"), which is located on the Gardendale 8 Lease (08-40446).
- 2,500 MCFGD of commingled gas, which also originates from the Group Leases, at one flare point on the CTB through May 31, 2015.

In summary, the produced casing-head gas tied to the subject applications originates from the Group Leases. Therefore, LINN seeks to combine the individual relief sought in each subject application, as described above, to 6,000 MCFGD from three flare points through May 31, 2015.

At the hearing, the Examiners requested further data from LINN with regard to the following: (1) a copy of the commingling permit number for the Gardendale CTB; (2) chronological timeline for the Group Leases, with regard to flaring casing-head gas; and (3) a supplemental map depicting the three subject flare points with ancillary data.

On February 26, 2015, LINN submitted late-filed exhibits 2-A, 14, and 15. The Examiners closed the evidentiary record on February 27th (10 business days from the Examiners' February 13th letter). The applications are unprotested and the Examiners recommend that they be approved, as ultimately requested by LINN.

DISCUSSION OF THE EVIDENCE

Mr. James (Jim) Clark, P.E., a consulting engineer, testified on behalf of LINN as an expert in petroleum engineering.

Applicable Rules

In general, 16 Tex. Admin. Code §3.32 (“SWR 32”) governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Titled “Exceptions,” SWR 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

All offset operators for each captioned docket were provided notice and an opportunity to participate in the hearing.

In order to determine the necessity for an exception to flare casing-head gas, SWR 32(f)(2) states:

[...] Necessity for the release includes, but is not limited to, the following situations...

In the subject applications, LINN argues that the necessity to flare casing-head is needed due to the unavailability of a gas pipeline or other marketing facility, and other purposes and uses authorized by law, pursuant to SWR 32(f)(2)(D).

Application History

Mr. Clarke testified that LINN obtained 180-days of administrative authority to flare up to 8,000 MCFGD of casing-head gas from the Group Leases from July 16, 2014 through January 16, 2015 (Permit No. 18129).¹ Furthermore, LINN obtained 90-days of administrative authority to flare up to 7,000 MCFGD from the Gardendale CTB from July 22, 2014 through October 20, 2014 (Permit No. 18572).²

By letter dated September 26, 2014, LINN submitted its hearing request for the subject applications.

LINN’s General Argument

The subject applications contain one commonality, the Group Leases.³ The Group Leases consist of production wells that are completed in the subject field (“Subject Wells”). The Subject Wells’ casing-head gas is consolidated and transported through a series of pipelines that lead to one of two gas processing plants (*i.e.*, DCP or Coronado).

LINN alleges that the rapid pace of oil development and drilling on the Group Leases has resulted in a significant increase in casing-head gas production. Mr. Clark testified that over the

¹ LINN Exh. No. 10.

² LINN Exh. No. 3.

³ LINN Exh. No. 14 (Copy of the Commission-approved Commingling Permit No. 6542)

past two years, the rapid rise in production has led LINN to curtail its casing-head gas deliveries due to the lack of capacity at the DCP and Coronado gas processing plants. Mr. Clark testified that the relief sought in the captioned dockets will prevent waste and protect correlative rights.

Mr. Clark testified that Canyon Pipeline is in the process of constructing a new gas pipeline to accept LINN's casing-head gas production from the Group Leases. Mr. Clark testified that Canyon's pipeline is scheduled to begin accepting casing-head gas production in April 2015. Mr. Clark alleged that until the new pipeline is operational, LINN's options during periods of curtailment by DCP or Coronado are to either (1) shut-in the subject wells or (2) flare the casing-head gas. Therefore, LINN seeks authority to collectively flare up to 6,000 MCFGD from three flare points located on lease numbers 40668, 40509, and 40446.⁴ One of three mentioned flare points is located at the Gardendale CTB (lease no. 40668), while the remaining two flare points are located on opposite ends of the whole Group Leases (lease nos. 40509 and 40446). Mr. Clark testified that LINN collectively flared 5,394 MCFGD on average during January 2015 from the Group Leases and the Gardendale CTB.

FINDINGS OF FACT

1. LINN Operating, Inc. ("LINN") seeks an exception to 16 Texas Admin. Code §3.32 to collectively flare up to 6,000 MCF of casing-head gas per day that originates from the Spraberry (Trend Area) Field through its production wells located on twelve leases (lease numbers 08-40616, 42312, 43017, 40518, 40553, 40761, 40615, 40446, 40523, 40509, 40668, and 41018) ("Group Leases"), and the Gardendale Central Tank Battery ("Gardendale CTB") in Ector County, Texas ("Subject applications")
2. The Subject Applications' Notice of Hearing were provided to all immediate offsetting operators adjacent to the subject leases.
3. LINN received 180-days of administrative authority to flare up to 8,000 MCFGD of casing-head gas from the Group Leases from July 16, 2014 through January 16, 2015 (Permit No. 18129).
4. LINN received 90-days of administrative authority to flare up to 7,000 MCFGD from the Gardendale CTB from July 22, 2014 through October 20, 2014 (Permit No. 18572).
5. LINN submitted a hearing request to the Commission on the Subject Applications on September 26, 2014.
6. Each of the subject leases is connected to a gas market pipeline operated by a named third-party operator ("Sales Pipeline").
7. Collectively, LINN flared 5,394 MCFGD on average during January 2015 from the Group Leases and the Gardendale CTB.

⁴ LINN Exh. No. 2-A (Flowline schematic that identifies the location of the Group Leases and the three referenced flare points)

8. LINN's requests for exception to flare in the subject applications through May 31, 2015, at volumes greater than 50 MCFG per day, are supported by the lack of a readily available sales pipeline's ability to accept casing-head gas during instances when gas is curtailed by the sales pipeline.
9. LINN's request to collectively flare up to 6,000 MCFG per day from three individual flare points located at the Gardendale CTB (lease number 40668) and on lease numbers 40509 and 40446 is reasonable and appropriate.
10. Approval of the Subject Application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32.

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. Legally sufficient notice has been provided to all affected persons.
3. The requested authority to flare casing-head gas through May 31, 2015, as described in Finding of Fact No. 9, satisfies the requirements of Title 16 TAC §§3.32(f)(2)(D) and 3.32(h).

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant exceptions to flare up casing-head gas from the Group Leases and the Gardendale CTB as described in Finding of Fact No. 9 above.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



John Dodson
Legal Examiner