



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0296701

THE APPLICATION OF CABOT OIL & GAS CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32, SIMMONS SUBDIVISION UNIT, WELL NO. 1H, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Ryan Larson – Director

HEARING DATE: June 30, 2015

CONFERENCE DATE: August 25, 2015

APPEARANCES:

Dale Miller

REPRESENTING:

Cabot Oil & Gas Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cabot Oil & Gas Corporation (Cabot) seeks an exception to Statewide Rule 32 [16 Tex. Admin. Code §3.32] to flare gas from its Simmons Subdivision Unit Well No. 1H in the Eagleville (Eagle Ford-1) Field. The Simmons Subdivision Unit Well No. 1H is not connected to a gas sales pipeline. The nearest available pipeline is 4.2 miles to the west, and Cabot believes constructing a gathering line would not be economically feasible. Cabot seeks authority to flare 65 thousand cubic feet (mcf) of gas per day. Cabot originally requested a permanent exception, but agreed to a two year term from June 20, 2015 through June 19, 2017. The Examiners recommend Cabot's application be granted.

DISCUSSION OF EVIDENCE

The Simmons Subdivision Unit (Lease No. 16637) Well No. 1H (API No. 42-013-34656) was completed in the Eagleville (Eagle Ford-1) Field by EP Energy E&P Company, L.P. (EP Energy) on March 5, 2013. On initial potential testing the well produced 312 barrels of oil and 202 mcf gas. To date the well has produced 72,171 barrels of oil and 47,490 mcf gas. The gas has a hydrogen sulfide concentration of 13,000 parts per million.

All of the gas produced to date has been flared. Production of hydrocarbons from the well has declined, and in April 2015 the well produced 1,733 barrels of oil and 1,432 mcf gas (48 mcf per day). When the well was drilled, EP Energy entered a contract to sell all of the gas from the well to Regency Field Services LLC (Regency).

On January 1, 2015, operation of the well was transferred from EP Energy to Cabot. Cabot obtained administrative authority (Permit No. 20412) to flare 65 mcf gas per day from December 19, 2014, through June 19, 2015. On May 15, 2015, Cabot requested a hearing to extend the flaring authority by Commission final order.

Regency, the contract purchaser of gas from the Simmons Subdivision Unit Well No. 1, operates a gas gathering system about two miles east of the well. However, Regency's gas gathering system is currently inoperable due to issues related to a hydrogen sulfide disposal well that is used as part of the gas processing system. The situation with Regency's hydrogen sulfide system is affecting many operators in the area.

As an alternative, Cabot explored the economic feasibility of constructing a gathering line to tie into the Frio LaSalle Pipeline, LP, which is located about 4.2 miles to the west of the Simmons well. Cabot determined this option was not economically feasible and would result in a net revenue loss of \$746,896.

The most recent gas production data indicates the well is producing about 58 barrels of oil and 48 mcf gas per day. Without the ability to sell the gas or flare it, Cabot would be required to shut the well in, possibly harming future oil production. While the current gas production is slightly below the 50 mcf gas per day threshold for a permanent administrative exception, Cabot is seeking a two-year exception at a rate of 65 mcf gas per day to account for potential production fluctuations.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Simmons Subdivision Unit (Lease No. 16637) Well No. 1H (API No. 42-013-34656) was completed in the Eagleville (Eagle Ford-1) Field by EP Energy E&P Company, L.P. (EP Energy) on March 5, 2013.
 - a. On initial potential testing the well produced 312 barrels of oil and 202 mcf gas.
 - b. The gas has a hydrogen sulfide concentration of 13,000 parts per million.

- c. All of the gas produced to date has been flared.
 - d. In April 2015 the well produced 1,733 barrels of oil and 1,432 mcf gas (48 mcf per day).
3. Regency Field Services LLC is the contracted purchaser of gas from the Simmons well.
- a. Regency operates a gas gathering system about two miles east of the well.
 - b. Regency's gas gathering system is currently inoperable due to issues related to a hydrogen sulfide disposal well that is used as part of the gas processing system
4. Cabot has operated the well since January 1, 2015.
5. The Commission authorized (Permit No. 20412) Cabot to flare 65 mcf gas per day from December 19, 2014, through June 19, 2015.
6. On May 15, 2015, Cabot requested a hearing to extend the flaring authority by Commission final order.
7. Construction of a 4.2 mile gathering line to the Frio LaSalle Pipeline, LP, is not economically feasible and would result in a net revenue loss of \$746,896.
8. Without flaring authority for casinghead gas, Cabot would be required to shut-in the well.
9. Granting the exception will enable Cabot to continue producing oil from the Simmons well.

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. The requested exception to flare casinghead gas from the subject well meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

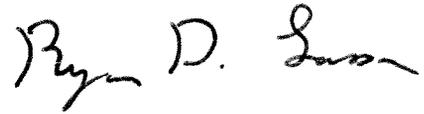
RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend Cabot Oil & Gas Corporation be granted an exception to Statewide Rule 32 to flare 65 mcf gas per day from its Simmons Subdivision Unit Well No. 1H , from June 20, 2015 through June 19, 2017.

Respectfully submitted,



Paul Dubois
Technical Examiner



Ryan Larson
Director