



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0297697

THE APPLICATION OF COG OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32, FOR FLARE PERMIT FOR THE LUDEMAN B BATTERY, LUDEMAN B 2503H, CARPENTER B UNIT 202H, CARPENTER C UNIT 203H, CARPENTER F UNIT 224 H AND DR STATE CENTRAL 3405H WELLS, SANDBAR (BONE SPRINGS) FIELD, LOVING AND CULBERSON COUNTIES, TEXAS

HEARD BY: Peggy Laird P.G. - Technical Examiner
Terry Johnson - Legal Examiner

SUBMITTED BY: Peggy Laird, P.G. - Technical Examiner
Ryan Lammert - Administrative Law Judge

HEARING DATE: September 17, 2015

CONFERENCE DATE: February 3, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT:

Ana Maria Marsland-Griffith COG Operating, LLC
Tom McIlvain
Melanie Wilson

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

COG Operating LLC ("COG") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas from the Ludeman B Battery, Ludeman B 2503H, Carpenter B Unit 202H, Carpenter C Unit 203H, Carpenter F Unit 224H, and DR State Central 3405H Wells, Sandbar (Bone Springs) Field, Loving and Culberson Counties, Texas.

The Ludeman B Battery was withdrawn from the docket as requested by COG. Testimony provided by Ms. Marsland-Griffith identified an apparent administrative error in

flare permit (No. 20490) for the Carpenter F Unit 224H. It was placed in the Sandbar (Bone Spring) Field, when it should have been placed in the Ford, West (Wolfcamp) Field, Culberson County, Texas. COG verified that all operators had been notified for both fields, and no protests were received. The Examiners allowed a trial amendment to correct the field location of Carpenter F Unit 224H for the docket. All other leases in the docket are correctly placed in the Sandbar (Bone Springs) Field. The Final Order will include the corrected field location for the Carpenter F Unit 224H.

All offset operators in the subject fields were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Examiners recommend the exceptions to Statewide Rule 32 be granted, as requested by COG.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. In the subject application, COG is requesting to flare gas as provided in Statewide Rule 32(h), for a limited time until appropriate gas facilities and connections can be completed.

The subject leases in this application are completed in areas that lack adequate gas gathering, processing, and transmission facilities. All leases have experienced operational problems because of limited transmission system availability and pressure differences within gathering systems. At the hearing, COG presented information and testimony for five leases. What follows is a summary of COG's presentation presented by lease number.

LUDEMAN B 2503H

The **Ludeman B 2503H (Lease No. 08-46424)** is located in northern Loving County about five miles south of the Texas-New Mexico state line, and will utilize one flare point located at the lease.

The current gathering systems and delivery lines were designed for decades old vertical wells. Operational problems are occurring because the outdated, undersized lines cannot meet the needs of the newer horizontal drilling. Current gas production exceeds the capacities of the gas gathering pipelines, field compression, and gas plant capacity. Energy Transfer, the gas gathering pipeline company COG utilizes for this lease, is installing additional plant capacity and gas compression to accommodate pressure differences between production and delivery systems. Improvements to facilities should be completed within the year.

COG received their current administrative authority (Permit No. 20605) to flare five hundred (500) thousand cubic feet (MCF) of gas per day, or 500 MCF/D from August 28, 2015, to October 6, 2015. COG's request for a hearing to extend the flaring authority was

received on July 31, 2015. COG is requesting authority to flare 500 MCF/D for one year, from October 6, 2015, to October 6, 2016. The authority to flare will allow time for gathering systems and facility improvements to be completed.

CARPENTER B UNIT 202H AND CARPENTER C UNIT 203H

The **Carpenter B Unit 202H (Lease No. 08-276204)** and **Carpenter C Unit 203H (Lease No. 08-45044)** are located in northeastern Culberson County immediately south of the Texas-New Mexico state line, and will utilize one flare point located at each lease. Operational issues for the Carpenter B Unit 202H and Carpenter C Unit 203H leases are identical to the Ludeman B 2503H Lease. Current gas production exceeds the capacities of the outdated gas gathering pipelines, field compression, and gas plant capacity. COG anticipates that improvements by Western Gas, the gas gathering pipeline company COG utilizes for these leases, will be completed within the year.

COG received their current administrative authority for the Carpenter B Unit 202H (Permit No. 20491) to flare 500 MCF/D from August 22, 2015, to September 30, 2015; and for the Carpenter C Unit 203H, COG received their current administrative authority (Permit No. 20495) from July 14, 2015, to September 13, 2015. COG's request for a hearing to extend the flaring authority for both leases was received on July 31, 2015. COG is requesting authority to flare 500 MCF/D from the Carpenter B Unit 202H for one year, from September 30, 2015, to September 30, 2016; and to flare 500 MCF/D from the Carpenter C Unit 203H for one year, from September 13, 2015, to September 13, 2016. The authority to flare will allow time for gathering systems and facility improvements to be completed.

CARPENTER F UNIT 224H

The **Carpenter F Unit 224H (Lease No. 08-277466)** is located in northeastern Culberson County immediately south of the Texas-New Mexico state line, and will utilize one flare point located at the lease. As previously reported, this lease is placed in the Ford, West (Wolfcamp) Field. Operational issues for the Carpenter F Unit 224H are identical to the Ludeman B 2503H Lease. Current gas production exceeds the capacities of the outdated gas gathering pipelines, field compression, and gas plant capacity. COG anticipates that improvements by Western Gas, the gas gathering pipeline company COG utilizes for these leases will be completed within the year.

COG received their current administrative authority for the Carpenter F Unit 224H (Permit No. 20490) to flare 4,500 MCF/D from August 2, 2015, to August 27, 2015. COG's request for a hearing to extend the flaring authority was received on July 31, 2015. COG is requesting authority to flare 3,500 MCF/D for one year, from August 27, 2015, to August 27, 2016. The authority to flare will allow time for gathering systems and facility improvements to be completed.

DR STATE CENTRAL 3405H

The DR State Central 3405H (Lease No. 08-278612) is located in northern Culberson County about six miles south of the Texas-New Mexico state line, and will utilize one flare point located at the lease. The nearest gas gathering pipeline system is about five miles from this lease. Mr. McIlvain gave testimony that the DR State Central 3405H is a remote, isolated well that was drilled to help define field development. Currently, it is uneconomical for COG to extend gas pipeline to connect to this single well. COG anticipates that with additional development of this area, there will be pipeline constructed. COG is considering utilizing a portable gas plant to capture part of the gas components, as an effort to lower the amount of flared gas from this lease.

COG received their current administrative authority (Permit No. 20979) to flare 1,500 MCF/D from June 29, 2015, to August 28, 2015. COG's request for a hearing to extend the flaring authority was received on July 31, 2015. COG is requesting authority to flare 1,500 MCF/D for one year, from August 28, 2015, to August 28, 2016. The authority to flare will allow time for gathering systems and facility improvements to be completed.

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. There were no protests to the application.
2. The subject leases have experienced the same operational issues because of limited transmission system availability and pressure differences within gathering systems.
3. Energy Transfer and Western Gas, the gas gathering pipeline companies COG utilizes, are installing additional plant capacity and gas compression to accommodate pressure differences between production and delivery systems. These improvements should be completed within the year.
4. COG is requesting authority to flare the following:
 - a. 500 MCF/D from the Ludeman B 2503H for one year, from October 6, 2015, to October 6, 2016 ;
 - b. 500 MCF/D from the Carpenter B Unit 202H for one year, from September 30, 2015, to September 30, 2016;
 - c. 500 MCF/D from the Carpenter C Unit 203H for one year, from September 13, 2015, to September 13, 2016;

- d. 3,500 MCF/D from the Carpenter F Unit 224H for one year, from August 27, 2015, to August 27, 2016; and
 - e. 1,500 MCF/D from the DR State Central 3405H for one year, from August 28, 2015, to August 28, 2016.
- 5.. Exceptions to Statewide Rule 32 authorizing gas to be flared is necessary due to continued capacity issues such as compressor upgrades, limited availability, and high line pressures, all of which occur regularly in this area.

CONCLUSIONS OF LAW

- 1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051
- 2. Approval of the requested exception to Statewide Rule 32 to flare gas for the subject wells will not harm correlative rights, and will promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 for the subject wells, as requested by COG Operating, LLC.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Ryan Lammert
Administrative Law Judge