



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0283386

THE APPLICATION OF LEGACY RESERVES OPERATING LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE UNIVERSITY CONSOLIDATED XIII TANK BATTERY, MAGUTEX (DEVONIAN) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Andres Trevino, P.E. – Technical Examiner
Michael Crnich – Legal Examiner

REPORT PREPARED BY: Paul Dubois – Technical Examiner

DATE OF HEARING: August 16, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

George C. Neale
Steven D. Owen

Legacy Reserves Operating LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Legacy Reserves Operating LP (Legacy) requests an exception to Statewide Rule 32 to flare 700 MCFPD of casinghead gas from July 1, 2013 through January 31, 2015 from the University Consolidated XIII Tank Battery, Magutex (Devonian) Field, Andrews County, Texas. The gas purchaser, DCP Midstream (DCP), is experience capacity issues in this area. Notice was provided to offset operators surrounding the above referenced lease. The application is not protested and the examiners recommend approval of an exception to Statewide Rule 32, as requested by Legacy.

DISCUSSION OF THE EVIDENCE

On November 6, 2012, the Commission issued Final Order 08-0278124 granting Legacy an exception to Statewide Rule 32 for University Consolidated XIII Tank Battery in Andrews County, Texas. This exception authorized Legacy to flare up to 100 MCF/D from the one flare point at this tank battery. Prior to this Final Order, Legacy was granted

an administrative permit to flare gas for 180 days at this location. The purchaser in the area, DCP, does not have the capacity necessary to take and process all of the gas that is being produced. Legacy requested the flare permit because DCP is having to curtail gas purchases from Legacy and other operators in the area. Legacy has increased its capacity in the area, but has not been able to keep pace with development and therefore must continue to curtail gas purchases.

Legacy operates four wells in two leases in the Magutex (Devonian) Field in Andrews County. Oil and gas from these wells is sent to the University Consolidated XIII tank battery where a gas sales point is provided by DCP Midstream. Recently Legacy has reworked its existing well operations to remove fluids down to the level of the perforations. The reduced fluid loading has caused gas production to increase. In August 2013, Legacy was producing about 300 MCF/D from wells contributing to the University Consolidated XIII tank battery.

Legacy is currently in the process of drilling and completing four additional wells on these leases, all of which will route oil and gas to the University Consolidated XIII battery. Legacy expects each of these wells to produce about 100 MCF/D. Thus Legacy has a need for legal disposition of 700 MCF/D of gas from the existing wells and the four new wells expected to be in production in the Fall of 2013. Legacy stated that the University of Texas is the royalty owner of the gas, and Legacy pays royalties on all gas flared from these leases.

DCP has made increases to its gathering system in the area, and additional improvements are underway. However, Legacy expects that no substantial improvement will be seen through 2014. Additionally, capacity issues have essentially prevented Legacy from selling DCP any substantial amount of gas from May through July 2013. Legacy requests authority to flare 700 MCF/D of gas from its University Consolidated XIII tank battery from July 1, 2013 (the expiration date of the existing permit) through January 31, 2015.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. There were no protests to the application.
2. The University Consolidated XIII Tank Battery is located in eastern Andrews County, approximately 11 miles east of the town of Andrews, Texas.
 - a. This area is undergoing rapid development and lacks existing gas infra-structure for new production.
 - b. The purchaser in the area, DCP, does not have the capacity

- necessary to take and process all of the gas that is being produced.
- c. DCP is having to curtail gas purchases from Legacy and other operators in the area.
 - d. DCP has increased its capacity in the area but this increase has not kept pace with the demand from increased development.
3. Legacy received administrative Permit No. 11176 to flare 170 MCFPD of casinghead gas from its University Consolidated XIII Tank Battery from March 1, 2012 through August 31, 2012.
 4. Legacy was granted authority to flare 100 MCF/D from September 1, 2012 through June 30, 2013 by Commission Final Order (Docket No. 08-0278124).
 5. DCP has notified Legacy and other operators that it will continue to curtail gas purchases while it works to resolve capacity issues.
 6. Legacy operates four producing wells in the field, with four more wells in the process of being drilled and completed.
 7. An exception to Statewide Rule 32 to flare 700 MCFPD of casinghead gas from July 1, 2013 through January 31, 2015 from the University Consolidated XIII Tank Battery is appropriate.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested authority pursuant to Statewide Rule 32 will prevent waste and will not harm correlative rights.

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 to flare 100 MCFPD of casinghead gas through June 2013 from the University Consolidated XIII Tank Battery, as requested by Legacy Reserves Operating LP.

Respectfully submitted,



Paul Dubois
Technical Examiner



Michael Crnich
Legal Examiner