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COG OPERATING LLC

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APPLICATION OF ONCOR §
ELECTRIC DELIVERY CO, AEP §
TEXAS INC. AND LCRA §
TRANSMISSION SERVICES §
CORPORATION TO AMEND §
THEIR CERTIFICATES OF §
CONVENIENCE AND §
NECESSITY FOR 345-KV §
TRANSMISSION LINES IN §
PECOS, REEVES, AND WARD §
COUNTIES, TEXAS §

BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

SAND LAKE TO SOLSTICE (ONCOR AND AEP)

REBUTTAL TESTIMONY OF BRENT LOWERY

ON BEHALF OF

COG OPERATING LLC (CONCHO)

120

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1 **I. INTRODUCTION**

2 **Q. Please introduce yourself and state your business address.**

3 A. My name is Brent Lowery. I am an Engineer at COG Operating LLC (Concho). My
4 business address is 550 W. Texas Avenue, Suite 1300, Midland, TX 79701.

5 **Q. Please describe your educational and professional background.**

6 A. I received a Bachelor's degree in Petroleum Engineering from Texas Tech University.
7 My role as Operations Engineering Advisor is to coordinate special projects to make sure
8 the Facilities and Operations Departments are ready to handle production when new wells
9 are brought on line. I have thirty-five years of industry experience in all facets of the
10 upstream oil and gas business.

11 **Q. Have you testified before the Commission?**

12 A. No, I have not.

13 **Q. On whose behalf are you testifying?**

14 A. I am testifying on behalf of COG Operating LLC. COG Operating LLC operates as a
15 wholly-owned subsidiary of Concho Resources Inc. Terry Burkes, who filed direct
16 testimony on behalf of COG Operating LLC, described COG Operating LLC and Concho
17 in his direct testimony.

18 **Q. Are you adopting Mr. Burkes' direct testimony?**

19 A. Yes, I am adopting Mr. Burkes' direct testimony. Mr. Burkes is my supervisor. Because of
20 his workload requirements, I have become more involved in Concho's participation in this
21 case. Instead of having two of us continue participating, I am now the Concho company
22 representative.

23 **Q. Are you familiar with Concho's operations in Texas?**

24 A. Yes.

1 **Q. Have you reviewed the direct testimony of Oxy witness Albert Mendoza and**
2 **Commission Staff witness David Bautista?**

3 A. Yes.

4 **Q. What is the purpose of your rebuttal testimony?**

5 A. The purpose of my rebuttal testimony is to (1) respond to Mr. Mendoza's direct
6 testimony and emphasize Concho's opposition to the route Mr. Mendoza identified as
7 Oxy's recommended route, Route 328; (2) identify Route 325 Modified as a route both
8 Concho and Oxy conditionally support; (3) respond to Oxy's requested modifications to
9 several links Oncor and AEP proposed in their application; (4) provide an update on
10 Concho's efforts to obtain consents to modifications from surface landowners; and
11 (5) comment on Commission Staff's recommended route, Route 41. Also, because this is
12 the first time Concho has participated in a transmission line case, I provide additional
13 support for the Commission to grant Oncor and AEP flexibility to make minor deviations
14 in this case after the PUC approves a route.

15 **II. REBUTTAL TO OXY'S WITNESS, ALBERT MENDOZA**

16 **1. The Commission should not approve Route 328**

17 **Q. In the direct testimony of Albert Mendoza,¹ Mr. Mendoza says Oxy can agree to**
18 **“proposed route 328² if the Commission adopts relatively minor modifications”**
19 **What is your response to Oxy's support of Route 328?**

20 A. Oxy's proposal may avoid bisecting its oil and gas production areas, but it bisects
21 Concho's Big Chief area where Concho has drilled several wells and has significant
22 ongoing production and drilling operations that Concho continues to develop this year.

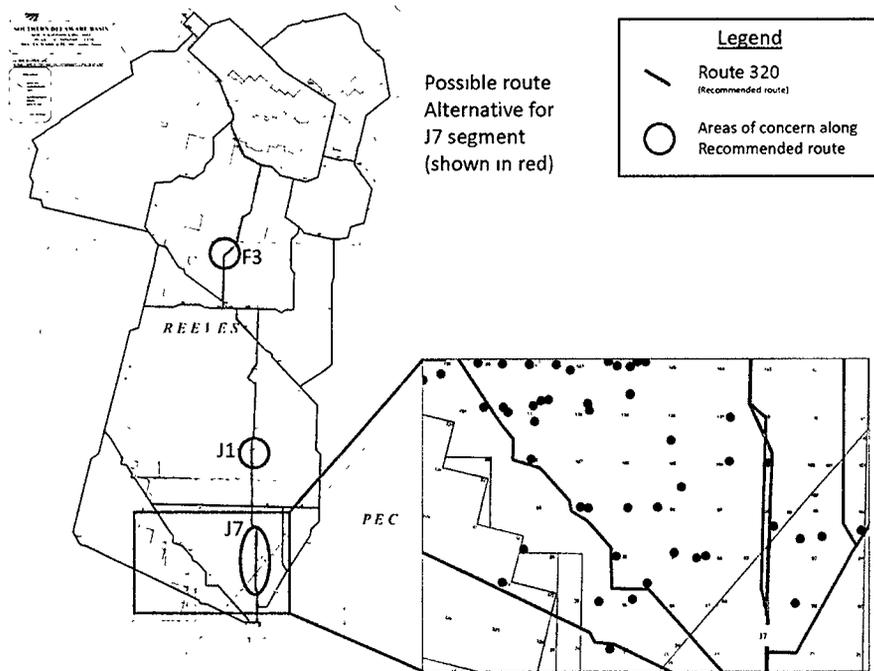
¹ Mr. Mendoza filed direct testimony on behalf of Occidental Permian, LTD.; Oxy Delaware Basin, LLC; Oxy USA Inc.; Oxy USA WTP LP; Houndstooth Resources, LLC; and Occidental West Texas Overthrust, Inc. (Oxy)

² Route 328 includes Links A-B2-B3-C2-D1-E1-F1-I1-K2-K3-K12-L2-Z.

1 The Commission should not shift the burden of the transmission line away from Oxy and
2 on to Concho.

3 **Q. What development would Route 328 affect in Concho's Big Chief field?**

4 A. Concho has drilled wells in the Big Chief area along the location Oncor proposes to
5 construct Links K2 and K3. In places, the transmission line would pass over locations
6 where Concho now has wells. In other places, Concho is actively drilling, has staked drill
7 pads, and either filed for or is filing for permits to drill. As Terry Burkes stated in his
8 direct testimony, the approval process can take as little as three weeks. There are several
9 other locations along Links K2 and K3 where Concho's ongoing development includes
10 drilling. Those locations are in our budget and most of those wells will be drilled before
11 Oncor can begin construction of the transmission line. The inset in the figure below
12 illustrates Concho's existing development in the Big Chief area along Links K2 and K3.



13

Figure 1- Concho's existing drilled wells in the inset are black dots and the proposed transmission line segments or links are solid red lines

1 **Q. Please describe Concho's concerns regarding the effect of Route 328 on the Big**
2 **Chief area.**

3 A. Concho's primary concern is for the safety of its employees and the employees of Oncor's
4 contractors who will build the transmission line. The proposed links seem to have been
5 drawn several months ago and some parts of the proposed line likely will be less than 150
6 feet from existing oil wells. Construction of the transmission line project within 150 feet of
7 existing wells or facilities will create health and safety concerns for Concho's and
8 Oncor/AEP's personnel.

9 Concho also is concerned about the effect of construction on the timeliness and
10 efficiency of its oil and gas production and completion operations, and the resulting
11 profitability of its operations. These concerns include ability and cost to cross the
12 transmission line right-of-way in a timely manner, ability to access frack pits, changing the
13 geometry and orientation of wells and surface locations, increased lengths of flowlines,
14 and requirements for additional production facilities.

15 **Q. Please describe the problems construction of the transmission line on Route 328,**
16 **especially Links K2 and K3, will cause for Concho.**

17 A. Approving construction on Route 328, as Mr. Mendoza proposes in his direct testimony,
18 would put the project through the middle of Concho's ongoing development area. When
19 surface pipelines related to oil and gas production cross Oncor's easement, any additional
20 time to obtain permission or delays due to newly-imposed requirements will delay
21 production and increase costs. Frack crews can cost up to \$15,000 per hour for standby
22 time. Delays related to transmission line construction or obtaining permissions from
23 Oncor could increase the costs to Concho significantly.

24 If the transmission line runs between two rows of surface locations, it will affect
25 Concho's field development plans. During the initial evaluation and development of an
26 area, key wells are drilled. Once initial results are evaluated, a development plan is
27 formulated to most efficiently produce the resources from the area. Once wellbore surface
28 locations and downhole orientation have been decided on, field development begins. Once

1 development starts, it is very difficult to change the pattern without creating loss of
2 reserves and loss in economic benefit to royalty owners, particularly in an area that
3 combines North/South and East/West subsurface wellbores such as Concho's Big Chief
4 area. This is done to maximize oil recovery from Concho's leasehold. Multiple wellbores
5 are drilled from a single surface location. Any changes to the surface location required by
6 the presence of a power line will most likely result in a loss of reserves and economic
7 benefit not only to Concho, but the royalty owners as well. In addition, moving a surface
8 well location may require a second set of production facilities that otherwise would not be
9 needed - at a cost of \$2,000,000 to \$3,000,000. This is a particularly problematic issue
10 for Link J6 and Links K2 and K3 because they traverse an area that has both orientations.
11 The insertion of a transmission line, associated construction, and eventual poles and
12 energized wires will affect the efficiency of Concho's operations.

13 Concho also runs oil, gas, and water pipelines and other facilities on the surface of
14 the field. Concho has water disposal lines and other pipes that run from the well to lease
15 facilities where Concho separates oil, water, and gas, and those processes take place in
16 common facilities. If the Commission approves building the transmission line on Route
17 328 and Links K2 and K3, Concho may have to relocate wells or surface locations, which
18 may cause reduced income, increased costs, and less efficient production. Concho may
19 have to construct additional facilities to accommodate the transmission line. A production
20 facility for wells can cost up to \$3 million. The bisection of the field may require Concho
21 to install a two-mile flow line to get to those new facilities where Concho processes oil,
22 gas, and water and separates those to its sales lines.

23 **Q. Are these concerns applicable to all of Concho's operations in the study area?**

24 A. The concerns are common to all of Concho's operations. While Concho prefers avoiding
25 all of its ongoing development by approval of Route 325 Modified, with Concho's and
26 Oxy's proposed modifications, Concho does not oppose the use of Route 320, Oncor's
27 and AEP's recommended route. Route 320 is at the edge of Concho's field and the likely

1 effect of Route 320 is mitigated by careful placement of the transmission line in relation to
2 the wells and facilities. Using Route 328, as Oxy proposed in Mr. Mendoza’s direct
3 testimony, however, bisects an active field with existing wells, locations being drilled now,
4 and ongoing development that is more short-term than Oncor’s construction and, likely,
5 the Commission’s approval of a route.

6 Mr. Mendoza suggested the Commission should avoid bisecting the dense and
7 rapidly expanding oil and gas production areas along the central corridor and, instead,
8 approve a route that follows the west corridor.³ Making things better for Oxy by approving
9 Route 328 places a significant burden on Concho. Route 328 and Links K2 and K3 are in
10 the middle of Concho’s dense and rapidly expanding oil and gas production. The
11 Commission should not approve a route that cuts through the Big Chief area on Links K2
12 and K3. Making it better for Oxy makes it much worse for Concho.

13 **Q. Can Concho and Oxy resolve their differences?**

14 A. Yes. Concho supports two options better for Concho than Oxy’s proposed Route 328.
15 I discuss next Concho’s conditional support of Route 325 Modified, a “further west”
16 route that minimizes impact on Concho’s oil and gas production and appears to minimize
17 impact on Oxy. Also, Concho and Oxy have worked with Oncor and AEP on
18 modifications to parts of Route 320.

19 **2. Route 325 Modified is a compromise route conditionally agreeable to Concho and Oxy**

20 **Q. Please describe Route 325 Modified.⁴**

21 A. Route 325 Modified goes west on Link K11, a link for which Concho requested
22 modifications. While that part of the route requires minor modifications to avoid existing

³ Mendoza direct at 3.

⁴ Route 325 includes Links A-B2-B3-C2-D1-E1-F1-I1-K11-K12-L2-Z. Concho proposes a modification of Link K11; Oxy proposes modifications of Links C2 and E1/F1. With the modifications, Concho and Oxy refer to this as Route 325 Modified.

1 Concho wells, the route goes west and avoids most of Concho's Big Chief area. Route 325
2 Modified best avoids active oil and gas development in the study area.

3 **Q. Why is it important to consider active oil and gas development in the study area?**

4 A. Concho, Oxy, Oncor, and AEP have worked to minimize the effect of this transmission
5 line project on an important resource in the study area. When one party identified a
6 modification to avoid existing or ongoing development, that modification often resulted in
7 a new conflict with another party's development or other engineering constraints.

8 The map imagery available to the parties varied and soon-to-be developed sites
9 were not known by the other parties. If the Commission approves Route 325 Modified,
10 the project will avoid active development in the study area and minimize the need for
11 modifications to accommodate oil and gas development in the central area I expect will
12 pose new problems before Oncor and AEP begin construction of this project.

13 **Q. Does Concho support Route 325 Modified?**

14 A. Yes, Concho supports Route 325 Modified with Concho's proposed modifications to Link
15 K11 and Oxy's proposed modifications to Links C2 and E1/F1. Route 325 Modified least
16 interferes with active oil and gas development in the study area. I am including below a
17 map that illustrates Concho's requested K11 modification. Oncor and AEP's application
18 proposed a link that follows the dashed and dotted yellow line. The Proposed Consent
19 Alternative is a blue line that avoids Concho's existing wells and ongoing development.
20 I understand Oncor's rebuttal testimony will include the additional cost for the K11, C2,
21 and E1/F1 modifications.

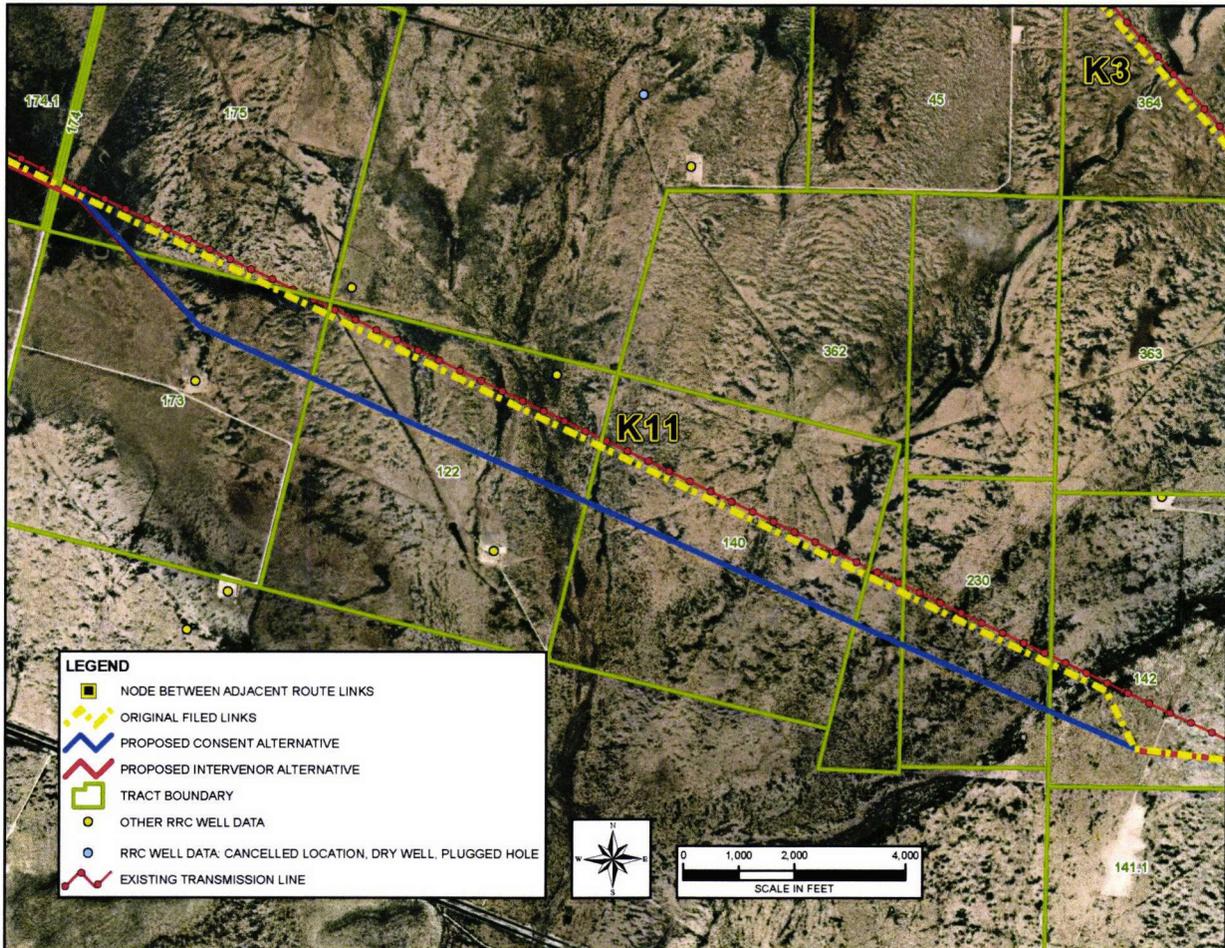


Figure 2 - Concho's proposed K11 modification, in blue

3. Concho's and Oxy's modifications - resolution of several conflicts

Q. What is the status of Concho's requested modifications?

A. Concho requested modifications on Links J1, K11, F3, and D31. Oncor identified conflicts between some of Concho's and Oxy's requested modifications and other constraints that led to a meeting with Oncor, AEP, Concho, and Oxy. I attended that meeting and worked with the other companies' representatives to develop revisions for several of the requested modifications. Oncor's consultant, Halff, produced maps that show each revised modification location as a "Proposed Consent Alternative." This process has resulted in a thorough review of field constraints by Oncor, AEP, Oxy, and Concho;

1 however, Oncor’s consultant’s production of the maps does not indicate Oncor’s or
2 AEP’s support for the modifications.

3 This collaborative process resulted in Proposed Consent Alternatives for Concho-
4 proposed modifications to Link J7, Link K22, and Link D31. I am including *Attachments*
5 *BL-1, BL-2, and BL3*, to illustrate Proposed Consent Alternatives for those links. The
6 dashed and dotted yellow lines in those attachments show the proposed link locations in
7 the Oncor and AEP application. The Proposed Consent Alternative is a solid blue line.

8 Concho and Oxy agree on a modification for Link F3, but our agreement came too
9 late in the process to allow Oncor to prepare a Proposed Consent Alternative map for Link
10 F3. I include a map as *Attachment BL-4* to illustrate Concho’s and Oxy’s agreed
11 modification. The proposed modification is shown in bright red.

12 **Q. Does Concho support Oxy’s proposed revisions?**

13 A. With the resolution of Concho’s concerns about Link F3, Concho either supports or does
14 not oppose Oxy’s proposed revisions. Concho and Oxy still need to obtain Oncor’s and
15 AEP’s input on the F3 revisions Concho and Oxy now support.

16 **III. STATUS OF SURFACE OWNER CONSENTS**

17 **Q. Mr. Burkes was asked if Concho has contacted the surface owners affected by its**
18 **proposed modifications. What is the status of Concho’s efforts to obtain consents**
19 **from landowners affected by proposed modifications?**

20 A. As I discussed, Oncor identified potential conflicts to the modifications Concho and Oxy
21 proposed. During the past two weeks, Concho has worked with Oxy, Oncor, and AEP to
22 revise the proposed modifications so Concho can provide maps of the modifications to the
23 surface owners. Concho will use those maps as an exhibit in the consent document
24 prepared for the surface owners.

25 Using Concho’s records, tax records, and Oncor’s notice list, Concho’s land
26 department identified surface owners of locations where there may be modifications.

1 Concho's land team has talked with several landowners to give them advance notice of the
2 request for consent to the modifications. Concho's legal team released the consent
3 documents after it obtained Oncor's maps of the modifications. Concho's land team is
4 providing surface owners the consent documents. Concho will continue to work with
5 Oncor, AEP, and Oxy to notify and obtain consent to modifications from surface owners.

6 **IV. STAFF'S RECOMMENDED ROUTE, ROUTE 41**

7 **Q. Has Concho reviewed Staff's recommended route, Route 41?**

8 A. Yes.

9 **Q. What is Concho's position on Route 41?**

10 A. Route 41 affects Concho's operations on the same links as Oncor and AEP's
11 recommended route, Route 320. Route 41 does not affect additional Concho operations.
12 Concho requests the same modifications to Route 41 as it supports for Route 320. With
13 those modifications, Concho does not oppose Route 41.

14 **V. NEED FOR POST-APPROVAL FLEXIBILITY**

15 **Q. How has Concho's interaction with Oncor, AEP, and Oxy informed its position on**
16 **the transmission line project?**

17 A. This is Concho's first time to intervene and participate in a transmission line case. Even
18 though Concho is concerned about the effects of the transmission line on its oil and gas
19 production, Concho is grateful the Commission is approving additional transmission in
20 the Permian Basin. The new projects will help develop a valuable resource. Oxy's
21 proposal that the Commission approve Route 328 is great cause for concern. Concho has
22 worked with Oncor, AEP, and Oxy, however, to mitigate the effect of the transmission line
23 project on oil and gas production.

1 Concho's participation in those cooperative efforts has impressed on it the need to
2 consider the impact of the transmission line project on Concho, other oil and gas
3 producers, other stakeholders, and surface owners. The development in this study area is
4 fast-moving and changing as markets evolve and oil and gas producers learn more about
5 their development areas.

6 The Commission should not limit consideration of the impact of the transmission
7 line to the period during which it considers the application. Oncor and Oxy previously
8 proposed language that would give Oncor flexibility to make minor adjustments after the
9 Commission approves the route. Concho supports approval of language that gives Oncor
10 and AEP the ability to work with landowners and their lessee to minimize the impact of
11 the transmission line project.

12 Concho proposes the Commission grant limited authority – in this case only – to
13 Oncor and AEP to modify the location(s) of the approved route to the minimum extent
14 necessary to avoid oil and gas constraints, including pipelines, that Oncor and AEP
15 encounter after Commission approval. The Commission also can add requirements the
16 utilities make any modifications consistent with good utility practice, obtain consents
17 from surface landowners and the oil and gas producer for the modification(s), and report
18 to the Commission any modifications – and the cost of those modifications – implemented
19 in construction of this project.

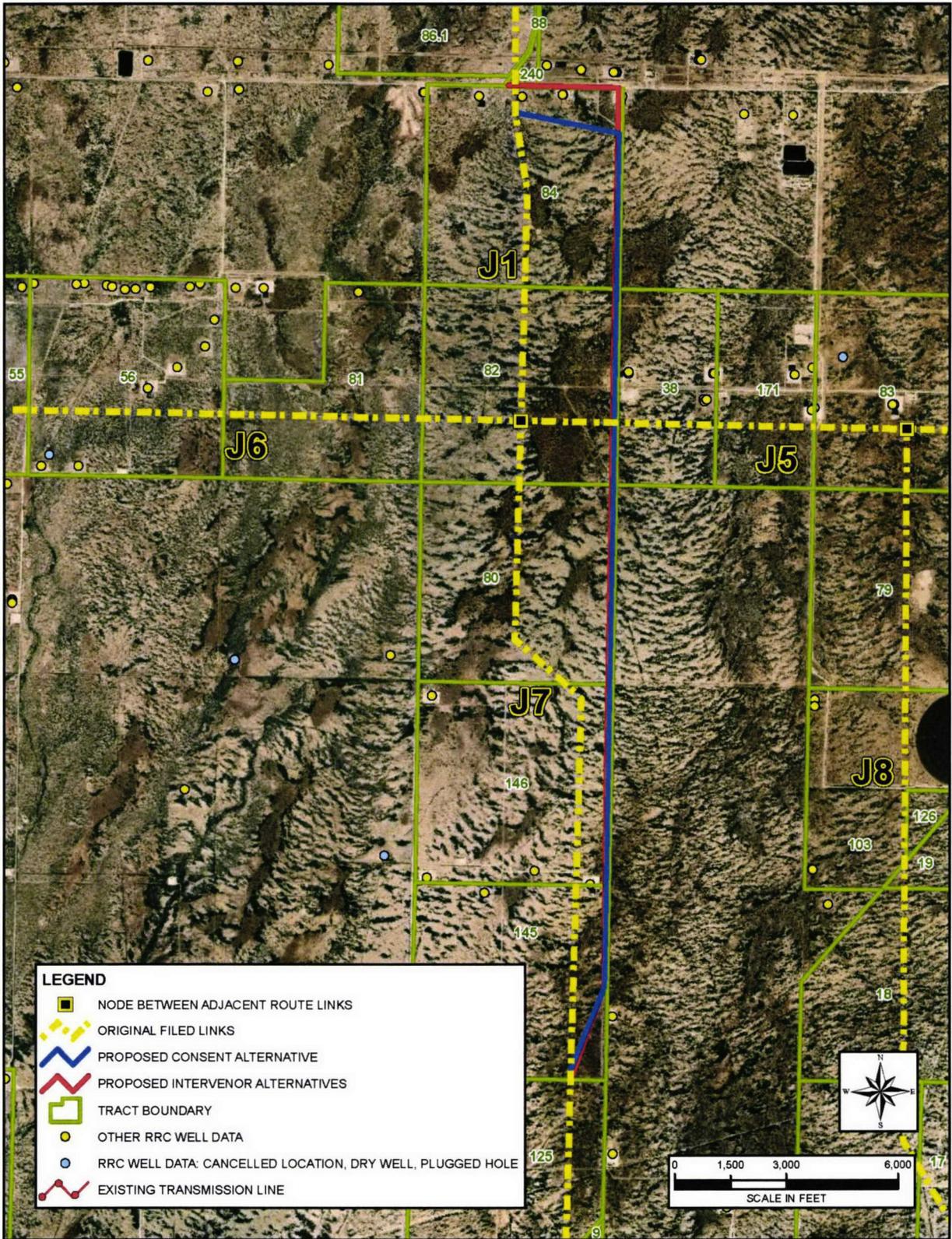
20 This approach limits modifications to oil and gas and pipeline constraints, requires
21 consent of affected parties, and gives the Commission the opportunity to monitor the
22 degree to which Oncor and AEP utilize the flexibility granted in this case only.

23 VI. CONCLUSION

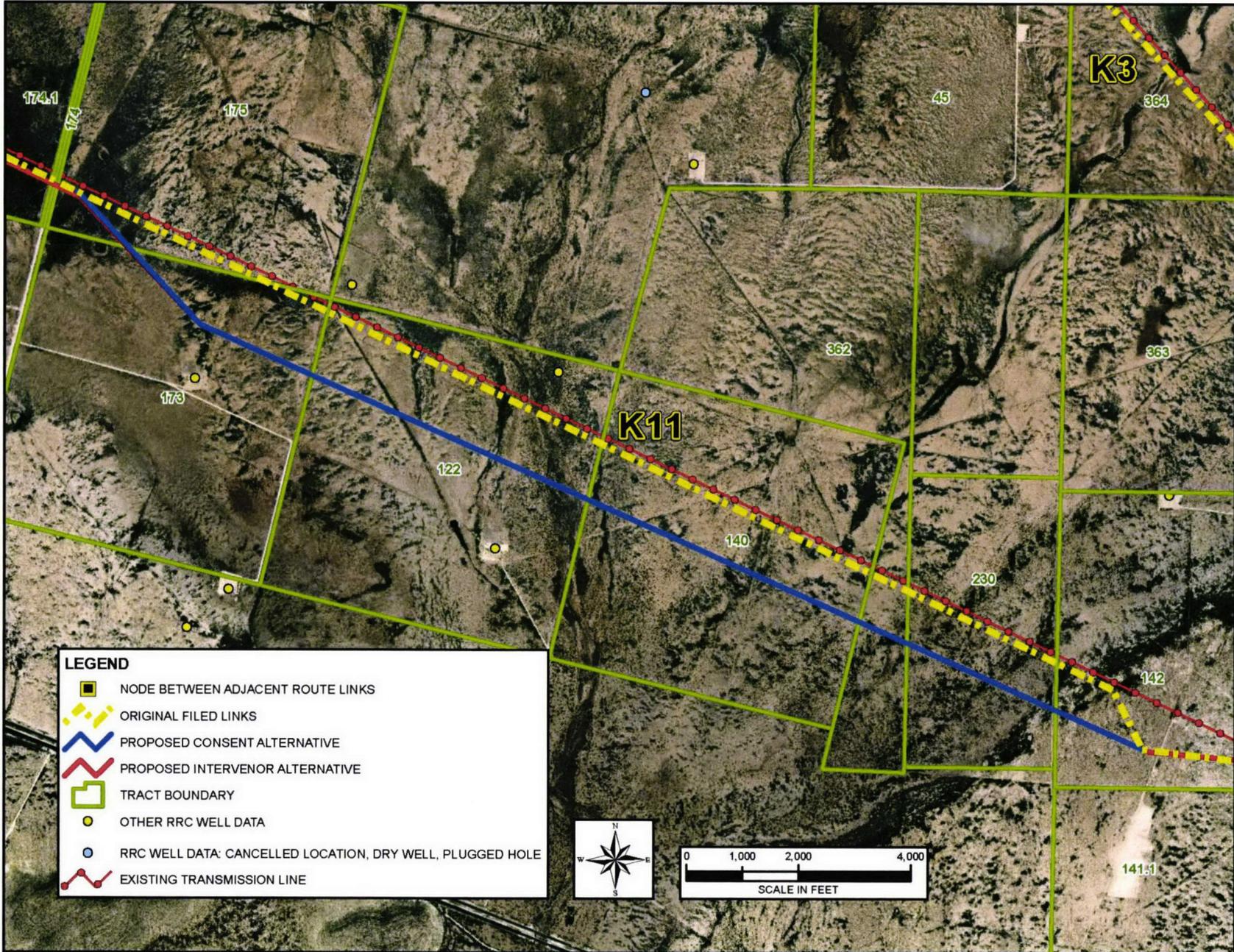
24 **Q. Does this conclude your direct testimony?**

25 **A. Yes.**

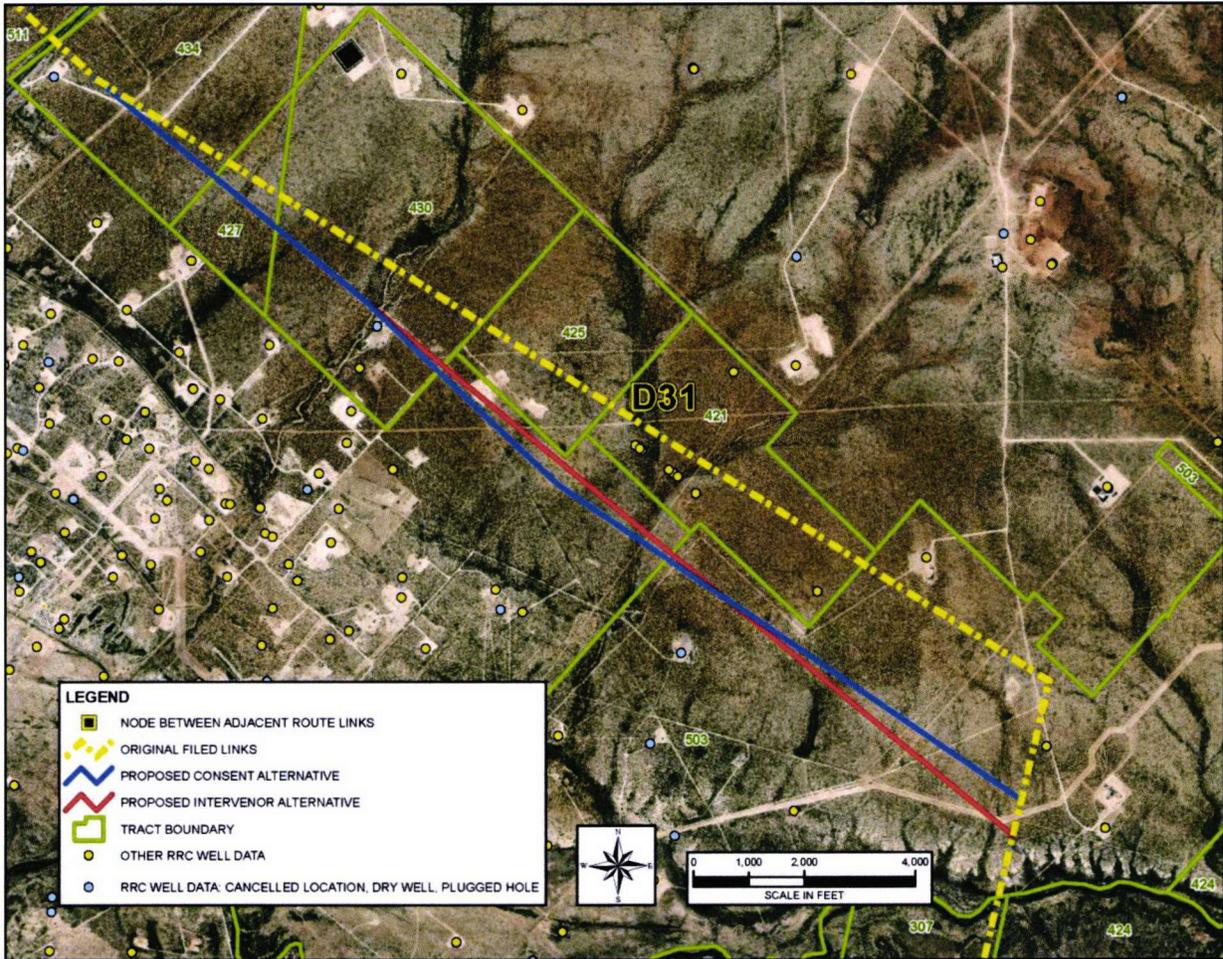
Attachment BL-1
Concho's Proposed Consent Alternative Modification to Link J7



Attachment BL-2
Concho's Proposed Consent Modification to Link K11



Attachment BL-3
Concho's Proposed Consent Modification on Link D31



Attachment BL-4

Concho's and Oxy's proposed modification on Link F3

