



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0283653

THE APPLICATION OF PIONEER NATURAL RES. USA, INC., FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CURTIS F NO. 3, CURTIS E NO. 5, SCHARBAUER RANCH A NO. 25 AND SCHARBAUER RANCH A NO. 26 WELLS, IN THE SPRABERRY (TREND AREA) FIELD, MARTIN COUNTY, TEXAS

HEARD BY: Paul Dubois - Technical Examiner
Marshall Enquist- Legal Examiner

HEARING DATE: August 22, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

George C. Neale
Don Burris
Becky Lackey

Pioneer Natural Res. USA, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pioneer Natural Res. USA Inc. (Pioneer), requests an exception to Statewide Rule 32 to flare gas from its Curtis F Lease, Well No. 3, Curtis E Lease, Well No. 5, Scharbauer Ranch A Lease Well No. 25, and Scharbauer Ranch A Lease, Well No. 26, in the Spraberry (Trend Area) Field, Martin County, Texas.

All operators in the subject field were notified of the hearing, there were no objections filed. The application is not protested and the examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject wells, as requested by Pioneer.

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 applications, Pioneer is requesting to flare gas produced by the subject wells, as provided in Statewide Rule 32(h).

The subject wells in this application are completed in the Spraberry (Trend Area) Field, located in Martin County, Texas. The wells are located approximately 21 miles northwest of the town of Stanton, Texas, in an area that lacks adequate gas infrastructure for new production.

Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a particular well for 60 days. Such permit may be granted for a total of 180 days. Pioneer applied for and received administrative permits to flare casinghead gas from the subject wells as indicated in the table below:

Well	Permit No.	Flare Volume (MCF/D)	Effective Date	Expiration Date
Curtis F Lease, Well No. 3	13516	240	01/12/13	07/11/13
Curtis E Lease, Well No. 5	13311	240	02/03/13	08/03/13
Scharbauer Ranch A Lease, Well No. 25	13202	250	02/04/13	08/05/13
Scharbauer Ranch A Lease, Well No. 26	13201	200	03/16/13	09/14/13

Pioneer requested a hearing to seek a two year extension for its flaring permits because adequate purchaser pipeline capacity is not available in the area. The area is experiencing very rapid growth, and despite existing infrastructure, the capacity is not sufficient and not likely to improve in the short term.

Three of the subject wells are currently tied into a purchasing line operated by DCP Midstream. However, the pressure in the line is too high, and DCP cannot accept the gas from the three Pioneer wells. The fourth well, the Curtis F Lease, Well No. 3, has not been connected to the DCP system. DCP has decided not to provide a connection to the well at this time as it is focusing its resources on expanding capacity in other ways. The four wells continue to produce oil and gas, which is flared; no casinghead gas is being sold.

DCP Midstream's Rawhide plant, located about 20 miles east in Glasscock County, recently became operational, but this is not expected to significantly ease the capacity issues in the area. Other recent and planned gas infrastructure development includes the following:

- West Texas Gas (WTG) completed a 120 MMCFPD gas plant about 8 mos ago, and the plant is already operating at about
- WTG is planning another plant with a capacity of 200 MMCFGD
- Atlas Pipeline has planned a 200MMCFGD plant 4 miles south of the Pioneer wells
- Midway Gas is planning a 75 MMCFGD plant in area
- Pioneer indicated that another gas purchaser was planning a facility in the area, but the identity of this firm would remain confidential.

Pioneer testified that the construction of any of these plants would require at least 18-20 months of construction. Therefore, Pioneer is requesting that the flaring permits be extended for about two years, until September 30, 2013, as follows:

Well	Permit No.	Requested Flare Volume (MCF/D)	Expiration Date
Curtis F Lease, Well No. 3	13516	225	09/30/15
Curtis E Lease, Well No. 5	13311	175	09/30/15
Scharbauer Ranch A Lease, Well No. 25	13202	350	09/30/15
Scharbauer Ranch A Lease, Well No. 26	13201	140	09/30/15

Pioneer believes that these extensions are necessary to allow for the continued production of oil from the wells while the gas facilities are built. The wells currently produce an average of about 50 BOPD each. Shutting in the wells could harm the wells' productivity and cause other losses.

The examiners recommend adoption of the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Proper notice of this hearing was given to all offset operators in the Spraberry (Trend Area) Field at least ten days prior to the date of hearing. There were no protests to the application.
2. The subject wells in this application are completed in the Spraberry (Trend Area) Field, located in Martin County, Texas.
 - a. The wells are located approximately 21 miles northwest of the town of Stanton, Texas, in an area that lacks existing gas infrastructure for new production.
 - b. Three of the wells are connected to the DCP Midstream pipeline system, but the pipeline is at capacity and cannot accept gas from these wells.
 - c. DCP has decided not to connect the fourth well, the Curtis F No. 3, to its system at this time due to capacity issues.
3. Pioneer has sold no gas from the subject wells; all gas has been flared.
4. Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
5. Pioneer received administrative Permit No. 13516 to flare up to 240 MCFPD of casinghead gas from the Curtis F Lease, Well No. 3, from January 12, 2013, to July 11, 2013.
6. Pioneer received administrative Permit No. 13311 to flare up to 240 MCFPD of casinghead gas from the Curtis E Lease, Well No. 5, from February 3, 2013, to August 3, 2013.
7. Pioneer received administrative Permit No. 13202 to flare up to 250 MCFPD of casinghead gas from the Scharbauer Ranch A Lease, Well No. 25, from February 4, 2013, to August 5, 2013.
8. Pioneer received administrative Permit No. 13201 to flare up to 200 MCFPD of casinghead gas from the Scharbauer Ranch A Lease, Well No. 26, from March 16, 2013, to September 14, 2013.
9. Pioneer anticipates further development of the field in this area.

10. Planned expansion of gas infrastructure will require at least 18-20 months to complete.

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 exception to Statewide Rule 32 to flare gas for the subject wells will prevent waste, 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 Pioneer Natural Res. USA, Inc.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Legal Examiner