



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0295012

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Cecile Hanna – Legal Examiner

HEARING DATE: February 12, 2015

RECORD CLOSED: February 27, 2015

SUBMISSION DATE: May 27, 2015

CONFERENCE DATE: June 9, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Rick Boring

Clayton Williams Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This application is unopposed, and Clayton Williams Energy, Inc. ("CW") was the only party present at the hearing. Pursuant to 16 Tex. Admin. Code §3.32 ("SWR 32"), CW seeks exception to flare casing-head gas at 13 flare points from numerous wells completed in the subject field that are located on 56 leases (*i.e.* Commission-approved Form P-4s). CW seeks authority to collectively flare up to a combined 1.5 million cubic feet of gas per day ("1,500 MCFGD") at the 13 flare points through December 31, 2015.

By letter dated February 17, 2015, the Examiners issued supplemental notice to the Service List created for the captioned docket to inform all potentially affected parties of CW's hearing amendment. At the hearing, CW requested to amend its original application by: (1) adding five new leases to the 4th flare point; and (2) replace the Burnett 26 Lease (Drilling Permit No. 776374) with the Flores 26 Lease (Lease ID No. 45526) for the 13th flare point. After issuance of the supplemental notice, no protest was received by the Examiners.

The Examiners recommend approval of the subject application, as proposed by CW.

DISCUSSION OF THE EVIDENCE

Mr. Rick Boring, CW's Vice President of Operations, testified as an expert on behalf of Applicant. In his role at CW, Mr. Boring is responsible for the oversight of production facilities related to the instant case.

Generally, 16 Tex. Admin. Code §3.32 ("SWR 32") governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Titled "Exceptions," SWR 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

On July 9, 2013, CW received approval from the Commission to flare up to 2,500 MCFGD from 45 leases through 12 flare points from April 24, 2013 through December 31, 2013.¹ On March 25, 2014, CW was granted authority to flare various volumes during specified time periods from the same set of leases approved in the July 9th Final Order with the addition of a 13th flare point for one extra lease.²

In 2013, CW operated roughly 180 wells on the subject leases. At the time of the subject hearing, CW produced about 245 wells on the subject leases. CW sells casing-head gas produced from the subject wells to DCP Midstream ("DCP") and typically delivers roughly 8.5 MMCF of gas per day to DCP. Due to CW's rapid development of the subject field in 2013 and 2014, however, Mr. Boring alleged that DCP's pipeline system became overloaded resulting in the curtailment of casing-head gas from the subject wells. As a result, CW needs to flare casing-head gas due to DCP's insufficient capacity or maintenance issues.³

Mr. Boring testified that a new pipeline system owned by Canyon Pipeline ("James Lake System") is in the process of completion and may offer additional capacity to take casing-head gas produced from the subject leases. However, Mr. Boring testified that the James Lake System remains incomplete. Mr. Boring testified that that the James Lake System will potentially alleviate CW's need to flare gas from a portion of the subject leases once it is in service. Nonetheless, Mr. Boring stated that the addition of the James Lake System alone will not sufficiently remove CW's need to flare casing-head gas from the subject leases because DCP's existing pipeline system remains inadequate to take all of CW's casing-head gas at this time.

Boring testified that the subject leases collectively produce roughly 2,400 barrels of oil per day.⁴ Mr. Boring testified that on "good days" DCP is able to accept nearly all of the daily

¹ CW Exh. No. 2 – Copy of Oil & Gas Final Order 08-0281703: Approving the application of CW to flare or vent a cumulative 2,500 MCFGD of casing-head gas.

² CW Exh. No. 3 – Copy of Oil & Gas Final Order No. 08-0286594: Approving the application of CW to flare or vent the subject leases according to a specified schedule.

³ Testimony at 13:00 of audio recording.

⁴ Compare CW Exh. No. 12 – Total Daily Production *with* testimony at 28:05.

produced casing-head gas; but, due to DCP's insufficient capacity and unexpected upsets it is unable to take all of CW's produced casing-head gas from the subject leases. Therefore, CW requests to extend its authority to flare casing-head gas from the subject leases due to the unavailability of a gas pipeline to accept all of CW's produced casing-head gas from the subject leases.

CW seeks continued authority to flare up to 1,500 MCFGD combined for all 13 flare points granted in Oil & Gas Final Order 08-0286594, with two exceptions.⁵ First, CW requests to remove the 13th flare point granted for the Burnett 24 Lease (Drilling Permit No. 776374) and replace it with a new flare point for the Flores 26 Lease (Lease ID No. 45526). Second, CW requests to add five additional leases to the 4th flare point previously granted by the Commission.⁶

CW claims that it does not flare casing-head gas from the subject leases every day. Mr. Boring testified that CW seeks the requested flaring authority to flare when needed, which is incremental and periodic.⁷ However, Mr. Boring testified that during the period from October through December 2014, the subject leases encountered a cumulative daily flaring average of 2,220 MCFG, 975 MCFG, and 726 MCFG, respectively.⁸

Accordingly, CW seeks relief in the captioned docket pursuant to SWR 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)...if the operator of a well or production facility presents information to show the necessity for the release. Necessity for the release includes, but is not limited to the following:

(D) For casinghead gas only, the unavailability of a gas pipeline or other marketing facility, or other purposes and uses authorized by law.

FINDINGS OF FACT

1. Clayton Williams Energy, Inc. ("CW") requests an exception to flare casing-head gas from 13 flare points utilized for 56 leases that contain up to 245 wells completed in the Spraberry (Trend Area) Field, as described on Attachment 1, pursuant to 16 Tex. Admin. Code §§3.32(h) and 3.32(f)(2)(D).
2. CW seeks authority to flare up to a combined 1,500,000 cubic feet of gas per day ("1,500 MCFGD") from the subject leases described on Attachment 1 in the subject field until December 31, 2015.

⁵ CW Exh. No. 7 – Attachment 1: The final list of subject leases and their respective flare point numbers and locations that make-up the subject application.

⁶ CW Exh. No. 6.

⁷ Compare CW Exh. No. 5 – CW Flared Gas by Sales Point *with* testimony at 15.28.

⁸ CW Exh No. 8.

3. CW received approval from the Commission to flare casing-head gas from the majority of the subject leases described on Attachment 1 in Oil & Gas Final Order 08-0281703, which authorized CW to flare up to 2,500 MCFGD collectively from 12 flare points.
4. CW received authority to continue flaring casing-head gas from the majority of leases described in Attachment 1 in Oil & Gas Final Order No. 08-0286594.
5. CW collectively produces about 2,400 barrels of oil per and 8,500 MCFG per day from the leases described in Attachment 1.
6. All produced casing-head gas from the subject leases is capable of being delivered to DCP Midstream's ("DCP") gas pipeline system.
7. DCP's gas pipeline system does not have sufficient capacity to accept all casing-head gas produced from the subject leases described in Attachment 1.
8. As a result of DCP's insufficient gas pipeline capacity, CW requests to flare casing-head gas produced from the subject leases described in Attachment 1.
9. During the period from October through December 2014, the subject leases described in Attachment 1 encountered a cumulative daily flaring average of 2,220 MCFG, 975 MCFG, and 726 MCFG, respectively.
10. CW's necessity to flare casing-head gas from the subject leases described in Attachment 1 results from DCP's insufficient pipeline capacity and/or maintenance of DCP's pipeline system.
11. Approval of the subject application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32.

CONCLUSIONS OF LAW

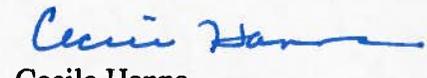
1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. The requested authority to collectively flare up to 1,500 MCFGD of casing-head gas derived from the Spraberry (Trend Area) Field, Andrews County, Texas from the subject leases described in Attachment 1 for a period that expires on December 31, 2015, satisfies the requirements of Title 16 TAC §3.32.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to flare casing-head gas from the subject leases described on Attachment 1 at a collective rate of up to 1,500 MCFGD through December 31, 2015.

Respectfully submitted,


Brian Fancher, P.G.
Technical Examiner


Cecile Hanna
Legal Examiner

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 8A-0294515**

**IN THE DENVER CITY, TEXAS AREA,
GAINES AND YOAKUM COUNTIES,
TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF
OCCIDENTAL PERMIAN, LTD
TO CONSTRUCT AND OPERATE A SOUR GAS PIPELINE
THE DENVER UNIT 24-INCH VALVE STATION NO. 2 TO
WEST COMPRESSOR STATION PIPELINE,
GAINES AND YOAKUM COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket reviewed on May 12, 2015, the reviewing examiner has made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiner's report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Occidental Permian, Ltd., to construct and operate a hydrogen sulfide gas pipeline, the Denver Unit 24-Inch Valve Station No. 2 to West Compressor Station Pipeline, Gaines and Yoakum Counties, Texas, is hereby **APPROVED**. Occidental Permian, Ltd. shall comply with all applicable rules and safety standards adopted by the Commission for the construction and operation of hydrogen sulfide gas pipelines.

Done this 9th day of June, 2015.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated June 9, 2015.)**