

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR CERTAIN WELLS IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Marshall F. Enquist - Legal Examiner

HEARING DATE: May 17, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Betsy Luna

Clayton Williams Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Clayton Williams Energy, Inc. ("Williams") requests an exception to Statewide Rule 32 to flare gas from the CWEI-CHK 11-54-7 Lease, Well No. 1 (API No. 389-32853), CWEI-CHK State "B" 22-C10 Lease, Well No. 1 (API No. 389-32925), CWEI-CHK 107-13 Lease, Well No. 1 (API No. 389-32798) and CWEI-CHK 183-13 Lease, Well No. 1 (API No. 389-32836), in the Wolfbone (Trend Area) Field, Reeves County, Texas. The original hearing notice included five wells, but at the hearing, Williams amended its request to only include the four wells listed above.

All operators in the subject field were notified of the hearing, there were no objections filed, and no protestant appeared at the hearing.

The application is unopposed and the examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject wells, as requested by Williams.

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, Williams 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 Wolfbone (Trend Area) Field, located in Reeves County, Texas. The wells are located approximately 5 miles south of the town of Pecos, Texas, in an area that lacks existing oil and gas infrastructure for new production. Williams testified that, at the time of completion, there was limited gas pipeline infrastructure available to the wells in this request. Williams stated that it has signed a gas sales contract with Southern Union Gas Company and is currently in the process of acquiring Right-of-Way for 10 miles of pipeline that will gather all of the gas from its wells in the area. Williams anticipates completing construction on the gathering pipeline for some wells by the beginning of June 2012 and other wells by mid September 2012.

Williams received the following administrative permits for the four wells:

Well	Permit	MCF/D	Issued	Expired
CWEI-CHK 11-54-7, Well No. 1	10721	300	10/24/11	4/23/12
CWEI-CHK State "B" 22-C10, Well No. 1	10844	175	10/30/11	4/29/12
CWEI-CHK 107-13, Well No. 1	10720	150	10/30/11	4/29/12
CWEI-CHK 183-13, Well No. 1	10723	100	10/30/11	4/29/12

All wells have expired flare permits after three extensions totaling the maximum 180 days.

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. As previously mentioned, Williams applied for and received administrative permits to flare casinghead gas from the subject wells for a total of 180 days each. Williams testified that due to the amount of time it will take to construct the gathering pipelines, it is requesting the exception to Statewide Rule 32 to flare a volume of less than 100 MCFGPD for the CWEI-CHK 11-54-7, Well No. 1, from April 23, 2012 through May 1, 2012, 150 MCFGPD for the CWEI-CHK State "B" 22-C10, Well No. 1, from April 29, 2012 through July 1, 2012, 115 MCFGPD for the CWEI-CHK 107-13, Well No. 1, from April 29, 2012 through September 17, 2012, and 60 MCFGPD for the CWEI-CHK 183-13, Well No. 1, from April 29, 2012 through September 17, 2012.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all operators in the Wolfbone (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 Wolfbone (Trend Area) Field, located in Reeves County, Texas.
 - a. The wells are located approximately 5 miles south of the town of Pecos, Texas, in an area that lacks existing oil and gas infrastructure for new production.
 - b. At the time of completion, there was limited gas pipeline infrastructure available to the four subject wells.
 - c. Williams has signed a gas sales contract with Southern Union Gas Company and is currently in the process of acquiring Right-of-Way for 10 miles of pipeline that will gather all of the gas from its wells in the area.
 - d. Williams anticipates completing construction on the gathering pipeline by the beginning of June 2012 and other wells by mid September 2012.
3. Williams received administrative Permit No. 10721 to flare 300 MCFPD of casinghead gas from its CWEI-CHK 11-54-7, Well No. 1, that went into effect October 24, 2011 and expired on April 23, 2012, after three extensions totaling the maximum 180 days.
4. Williams received administrative Permit No. 10844 to flare 175 MCFPD of casinghead gas from its CWEI-CHK State "B" 22-C10, Well No. 1, that went into effect October 30, 2011 and expired on April 29, 2012, after three extensions totaling the maximum 180 days.
5. Williams received administrative Permit No. 10720 to flare 150 MCFPD of casinghead gas from its CWEI-CHK 107-13, Well No. 1, that went into effect October 30, 2011 and expired on April 29, 2012, after three extensions totaling the maximum 180 days.
6. Williams received administrative Permit No. 10723 to flare 100 MCFPD of casinghead gas from its CWEI-CHK 183-13, Well No. 1, that went into effect

October 30, 2011 and expired on April 29, 2012, after three extensions totaling the maximum 180 days.

7. 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.
8. An exception to Statewide Rule 32 to flare 100 MCFGPD for the CWEI-CHK 11-54-7, Well No. 1, from April 23, 2012 through May 1, 2012, 150 MCFGPD for the CWEI-CHK State "B" 22-C10, Well No. 1, from April 29, 2012 through July 1, 2012, 115 MCFGPD for the CWEI-CHK 107-13, Well No. 1, from April 29, 2012 through September 17, 2012, and 60 MCFGPD for the CWEI-CHK 183-13, Well No. 1, from April 29, 2012 through September 17, 2012, will allow Clayton Williams Energy, Inc. sufficient time to construct a pipeline to the subject wells.

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 Clayton Williams Energy, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner

Marshall F. Enquist
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