



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0282599

**THE APPLICATION OF W&T OFFSHORE, INC. FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE PINOTAGE TANK BATTERY AND ASSOCIATED WELLS, IN THE
SPRABERRY (TREND AREA) FIELD, MARTIN COUNTY, TEXAS**

OIL AND GAS DOCKET NO. 08-0282600

**THE APPLICATION OF W&T OFFSHORE, INC. FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE RIESLING AND ROSÉ TANK BATTERIES AND ASSOCIATED
WELLS, IN THE SPRABERRY (TREND AREA) FIELD, MARTIN COUNTY, TEXAS**

HEARD BY: Richard Atkins, P.E. - Technical Examiner
Terry Johnson- Legal Examiner

HEARING DATE: June 19, 2013

REPORT PREPARED BY: Paul Dubois - Technical Examiner

APPEARANCES: **REPRESENTING:**

APPLICANT:

Clark Jobe
Jake Woodall
Sharon Rodgers
Kenneth Bell
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W&T Offshore, Inc.

EXAMINERS' REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

W&T Offshore, Inc. (W&T) requests an exception to Statewide Rule 32 to flare gas from the the Pinotage, Riesling and Rosé Tank Batteries and associated wells in the Spraberry (Trend Area) Field, Martin County, Texas. The need to flare gas arises from capacity and overpressuring issues in the gas gathering systems that have caused DCP Midstream, the gathering system operator, to curtail gas volumes accepted for purchase and transport from W&T and other operators in the area.

All operators in the subject field were notified of the hearing, there were no objections filed, and no protestants appeared at the hearing. The examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject tank batteries and associated wells, as requested by W&T.

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, W&T is requesting to flare gas as provided in Statewide Rule 32(h). W&T has contracted with DCP Midstream (DCP), the operator of a gas gathering system in the area, to accept casinghead gas produced from W&T's wells. However, the DCP system is experiencing capacity and overpressure issues and has notified operators in the area that it is curtailing the gas volumes that it can accept until system capacity is expanded. The curtailment notice from DCP dated May 24, 2013 indicates the situation will continue until further notice; although DCP has completed some projects to increase system capacity, the work has been outpaced by resource development in the service area. W&T has made an alternative and interruptible delivery arrangement with WTG, another gatherer in the area, but the terms of this agreement are such that delivery and acceptance are not guaranteed by either party. Therefore, W&T is in need of authority to flare gas when necessary because of pipeline unavailability.

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. Statewide Rule 32(h)(3) allows for a permanent exception to the 180 day flaring limitation for volumes of gas less than 50 MCF per day for each well, lease, or commingled flare point. W&T applied for and received an administrative permit to flare casinghead gas combined from the subject tank batteries for a total of 180 days as follows:

Flare Location	Surface Commingle Permit No.	Flare Permit No.	Flare Volume	Effective Date	Expiration Date
Pinotage (one flare point)	08-6107	13421	200 MCF/D	11/15/2012	05/16/2013
Riesling & Rosé (two flare points)	08-6108 08-6398	12418	250 MCF/D	11/27/2012	05/28/2013

On May 10, 2013, prior to expiration of the flare permits, W&T requested a hearing for extended flaring authority for these tank battery facilities.

The Pinotage Tank Battery serves 33 wells from five leases, which are included in surface comingling permit no. 08-6107. The wells produce oil and casinghead gas from the Spraberry (Trend Area) Field. Daily production from May 2013 was 1,259.5 bbl oil, 1,508.0 MCF gas, and 2,325.2 bbl water. There is one flare point for the Pinotage Tank Battery. The average daily gas volume per well was about 46 MCF. Individual wells produced gas volumes ranging from zero to 123 MCF per day. Of the 33 wells feeding the Pinotage Tank Battery, 18 wells produced less than 50 MCF gas per day in May 2013, and 15 wells produced more.

The Riesling and Rosé Tank Batteries are grouped together for one administrative flaring permit, but they are actually two adjacent facilities with one flare point each. The Riesling Tank Battery serves 15 wells from five leases, which are included in surface comingling permit no. 08-6108. The wells produce oil and casinghead gas from the Spraberry (Trend Area) Field. Daily production from May 2013 was 188.7 bbl oil, 206.3 MCF gas, and 365.0 bbl water. There is one flare point for the Riesling Tank Battery. The average daily gas volume per well was about 14 MCF. Individual wells produced gas volumes ranging from zero to 86 MCF per day. Of the 15 wells feeding the Riesling Tank Battery, 14 wells produced less than 50 MCF gas per day in May 2013, and one well produced more.

The Rosé Tank Battery serves 6 wells from six leases, which are included in surface comingling permit no. 08-6389. The wells produce oil and casinghead gas from the Spraberry (Trend Area) Field. Daily production from May 2013 was 57.3 bbl oil, 56.6 MCF gas, and 120.0 bbl water. There is one flare point for the Rosé Tank Battery. The average daily gas volume per well was about 9 MCF. Individual wells produced gas volumes ranging from zero to 27 MCF per day. Of the 6 wells feeding the Rosé Tank Battery, none produced more than 50 MCF gas per day in May 2013.

W&T chose not to flare gas at each wellhead for safety and health reasons, preferring instead the capability to flare at a commingled tank battery facility. W&T's acreage in the area is still being developed and so flaring capacity in excess of current production volumes is needed. W&T is currently running two drilling rigs that each drill two wells each month, resulting in an additional four wells coming into production each month.

For the Pinotage Tank Battery, W&T is requesting authority to flare 2,100 MCF/D. For the Riesling & Rosé Tank batteries, W&T is requesting authority to flare a combined 400 MCF/D. These authorities are requested through December 14, 2014. The requested flare volumes are expected to meet W&T's needs based on current and anticipated future production of gas based on the current rate of field development for the requested term of the flaring authority. W&T states that it is committed to reducing the flared volumes to the extent that it can reasonably do so, and that its preference is to be able to safely sell the resource and not flare it. However, W&T further states that if flaring authority is not granted it may have to shut in wells to limit production, possibly causing waste of resources.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all direct offset operators in the Spraberry (Trend Area) Field and others requiring notice 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, which is an area of rapid development and inadequate gas gathering infrastructure.
3. W&T received administrative Permit No. 13421 to flare up to 200 MCF/D of casinghead gas at the Pinotage Tank Battery, from November 15, 2012 to May 16, 2013, with extensions totaling the maximum 180 days.
 - a. Average daily production in May 2013 from the 33 contributing wells was 1,259.5 bbl oil, 1,508.0 MCF gas, and 2,325.2 bbl water.
 - b. There is one flare point for the Pinotage Tank Battery.
 - c. The average daily gas volume per well was about 46 MCF, individual wells produced gas volumes ranging from zero to 123 MCF per day., and of the 33 wells feeding the Pinotage Tank Battery, 18 wells produced less than 50 MCF gas per day in May 2013, and 15 wells produced more.

4. W&T received administrative Permit No. 12418 to flare up to 250 MCF/D of casinghead gas at the Reisling and Rosé Tank Batteries, from November 27, 2012 to May 28, 2013, with extensions totaling the maximum 180 days.
 - a. Average daily production in May 2013 from the 21 wells contributing to the two tank batteries was 246.0 bbl oil, 262.9 MCF gas, and 485.0 bbl water.
 - b. There are two flare points for the Riesling and Rosé Tank Batteries.
 - c. The average daily gas volume per well was about 13 MCF, individual wells produced gas volumes ranging from zero to 86 MCF per day., and of the 21 wells feeding the two tank batteries, only one well produced more than 50 MCF gas per day in May 2013.
5. W&T flares gas at tank batteries, not at individual well locations, in the interest of health and safety.
6. W&T is developing its acreage in this area of the Spraberry (Trend Area) Field by drilling four wells per month.
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. Statewide Rule 32(h)(3) allows for a permanent exception to the 180 day flaring limitation for volumes of gas less than 50 MCF per day for each well, lease, or commingled flare point.
9. DCP Midstream, the contracted gas gatherer, is experiencing capacity and over pressure issues in its system, and has notified W&T and other operators of a ratable curtailment while capacity is increased; an end date for the curtailment has not been established.
10. W&T has found an alternate sales point for its gas, but this is an interruptible arrangement.
11. An exception to Statewide Rule 32 to flare up to 2,100 MCF/D of casinghead gas from the Pinotage Tank Battery and 400 MCF/D combined from the Riesling and Rosé Tank Batteries will allow W&T to prevent waste and produce the crude oil reserves while gas gathering system improvements are made.

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 Pinotage and Riesling/Rosé Tank Batteries, as requested by Clayton Williams Energy, Inc.

Respectfully submitted,



Paul Dubois
Technical Examiner



Terry Johnson
Legal Examiner