



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 10-0274133

THE APPLICATION OF APACHE CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIVINS-LIT #2802 IN THE PAINT RIDGE (CANYON GRANITE WSH) FIELD, OLDHAM COUNTY, TEXAS

HEARD BY: Brian K. Fancher - Technical Examiner
Marshall F. Enquist - Legal Examiner

DATE OF HEARING: February 06, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Bill Spencer
Jim Clark, P.E.

Apache Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Apache Corporation ("Apache") requests an exception to Statewide Rule 32 to flare casinghead gas from its Bivins-Lit Lease, Well No. 2802. All operators in the subject field were notified of the hearing and there were no objections filed and no protestant appeared at the hearing.

This application was unprotested and the examiners recommend approval of the application, as requested by Apache.

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 context of the subject application, Apache is requesting to flare casinghead gas produced by its Bivins-Lit Lease, Well No. 2802, as provided in Statewide Rule 32(h).

The subject well in this application is completed in the Paint Ridge (Canyon Granite Wsh) Field located in Oldham County, Texas. The Paint Ridge (Canyon Granite Wsh) Field was discovered in March 2010 at an average depth of approximately 9,200 feet and is

classified as an oil field. The February 2012 Oil Proration Schedule lists Gunn Oil Company as the only operator in the field with one producing well. In support of its application, Apache submitted a copy of the Commission Form W-2 filed for its Bivins-Lit Lease, Well No. 2802. The Form W-2 indicates the subject well was completed in the Paint Ridge (Canyon Granite Wsh) Field in July 2011. The initial potential test results performed on August 29, 2011 report the well produced 730 BO, 321 MCFG, and 72 BW with a GOR of 439:1 in a period of twenty four hours.

Apache submitted a production graph for its Bivins-Lit Lease, Well No. 2802 that plots production versus time from September 2011 to December 2011. By extrapolating the production from the four month period, Apache concluded the subject well will produce 29,000 BOE and 2.5 MMCFG. Furthermore, the applicant estimated the gross revenue of produced hydrocarbons to be approximately \$2.9 million for oil, at \$100 per barrel of oil, and \$113,000 of natural gas, at \$4.50 per MCFG.

Apache submitted a base map that included the infrastructural layout for each of the two gathering systems with their respective proximity to the Bivins-Lit Lease, Well No. 2802. Representatives of Apache testified that currently there is no gas pipeline infrastructure available to its Bivins-Lit Lease, Well No. 2802. Apache further stated that there are two gas gathering systems in the area near its subject well, operated by Pioneer Natural Resources and DCP Midstream Gathering.

Apache stated it is currently in the process of constructing a nine mile pipeline that will be connected from its Bivins-Lit Lease, Well No. 2802 to both gathering pipeline systems available in the area. Apache testified it has experienced permitting delays, but anticipates beginning construction on the nine mile gathering pipeline in February 2012. Moreover, Apache anticipates the nine mile pipeline will take approximately twenty seven weeks to construct at an estimated cost of \$5.6 million dollars.

At the hearing, Apache entered into evidence an administrative permit (Permit No. 10529) to flare 100 MCFGPD of casinghead gas from its Bivins-Lit Lease, Well No. 2802, that went into effect August 12, 2011 and expired September 26, 2011. Consequentially, Apache applied for and received two permit amendments to flare casinghead gas for an additional 120 days, ultimately expiring on January 26, 2012.

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. As previously mentioned, Apache applied for and received an administrative permit to flare casinghead gas from its subject well for a total of 165 days. Apache testified that due to both the amount of time it will take to construct the nine mile gathering pipeline and the economic value of 29,000 BOE to be produced in the next year, it is requesting the exception to Statewide Rule 32 to flare a volume of less than 100 MCFPD of casinghead gas, for a period not greater than 12 months.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all operators in the Paint Ridge (Canyon Granite Wsh) Field at least ten days prior to the date of hearing. There were no protests to the application.
2. The Paint Ridge (Canyon Granite Wsh) Field was discovered in March 2010 at an average depth of approximately 9,200 feet. There is currently one producing well on the oil proration schedule.
3. Apache completed its Bivins-Lit Lease, Well No. 2802 into the Paint Ridge (Canyon Granite Wsh) Field in July 2011.
4. The initial potential test results performed on August 29, 2011 report the Bivins-Lit Lease, Well No. 2802 produced 730 BO, 321 MCFG, and 72 BW with a GOR of 439:1 in a period of twenty four hours.
5. Apache concluded the subject well will produce 29,000 BOE and 2.5 MMCFG.
6. Apache estimates the gross value of oil and gas production to be approximately \$2.9 million, at \$100 per barrel of oil, and \$113,000 at \$4.50 per MCFG.
7. Currently, there is no gas pipeline infrastructure available to its Bivins-Lit Lease, Well No. 2802 to sell casinghead gas.
8. Apache testified it is constructing a nine mile pipeline to be connected from its Bivins-Lit Lease, Well No. 2802 to gathering pipeline systems available in the area.
9. Apache obtained an administrative permit to flare casinghead gas from the Bivins-Lit Lease, Well No. 2802 for a consecutive period of 165 days.
10. The administrative permit to flare casinghead gas from the Bivins-Lit Lease, Well No. 2802 expired on January 26, 2012.
11. An exception to Statewide Rule 32 for the Bivins-Lit Lease, Well No. 2802 for a period of 12 months is appropriate.

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 authority pursuant to Statewide Rule 32 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 a period of 12 months for the Bivins-Lit Lease, Well No. 2802 (API No. 42-359-30339) in the Paint Ridge (Canyon Granite Wsh) Field , as requested by Apache Corporation.

Respectfully submitted,


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Technical Examiner


Marshall F. Enquist
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