



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0283282

THE APPLICATION OF LAREDO PETROLEUM, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BRISBIN 12 LEASE, WELL NO. 1H, IN THE HARTLEY, WEST (CANYON) FIELD, HARTLEY COUNTY, TEXAS

HEARD BY: Paul Dubois - Technical Examiner
Laura Miles-Valdez - Legal Examiner

HEARING DATE: August 7, 2013

APPEARANCES: **REPRESENTING:**

APPLICANT:

Clark Jobe
Mike Gable

Laredo Petroleum, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Laredo Petroleum, Inc. (Laredo) requests an exception to Statewide Rule 32 to flare gas from its Brisbin 12 Lease, Well No. 1H Hartley, West (Canyon) Field, Hartley County, Texas. Laredo is the offset operator on all leases surrounding the subject lease in the subject field; no other notice was required. There were no objections filed, and no protestants appeared at the hearing. The examiners recommend approval of the exceptions to Statewide Rule 32 to flare gas for the subject well, as requested by Laredo.

DISCUSSION OF THE EVIDENCE

The Brisbin 12 Lease Well No. 1H, located about 25 miles southwest from the town of Hartley, Hartley County, Texas, was completed on December 21, 2012, in the Canyon

Formation at a total vertical depth of 7,623 feet. Initial potential testing on January 19, 2013, produced 163 bbls of oil, no gas, and 700 bbls of water. Since the well was tested in January, gas production has increased to about 112 MCF/D in February. In June 2013 the average daily gas production was about 65 MCF/D. This was permitted as a wildcat well, and has since been designated as the discovery well for the Hartley West (Canyon) Field (Field ID No. 39485 500), and it is currently the only well in the field.

Available gas processing and transportation infrastructure in the area of the subject well is very limited. The nearest transmission line is about 1.1 miles from the well, and the nearest gathering system is about 11 miles from the well. 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, Laredo is requesting to flare gas produced by the subject well, as provided in Statewide Rule 32(h), which will allow it to continue to produce oil while long-term gas disposition options are evaluated and implemented.

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 administratively extended for a total of 180 days. Laredo applied for and received an administrative permit to flare casinghead gas from the subject well for a total of 180 days. Laredo received the following administrative permit for the subject well:

| Well | Permit No. | Flare Volume (MCF/D) | Effective Date | Expiration Date |
|-------------------------------|------------|----------------------|----------------|-----------------|
| Brisbin 12 Lease, Well No. 1H | 13358 | 90 | 01/14/13 | 07/14/13 |

On June 17, 2013, more than 21 days before the expiration of the administrative flaring permit, Laredo requested a hearing for an exception to the 180 day flare permit limit. The request for a hearing allows the permit to remain in effect beyond the expiration date, pending outcome of the hearing.

Laredo evaluated two scenarios for gas sales. The first scenario requires the construction of a 1.1 mile pipeline to connect to the WTG gas transmission pipeline. The estimated cost to build the pipeline is about \$232,000. In addition, Laredo estimates this scenario would require it to construct additional facilities which cost approximately \$1,385,000 to treat and compress the gas to meet WTG's pipeline specifications. The total cost of the first scenario is about \$1,617,000.

The second scenario is to connect the well to the nearest gathering system which is 11.75 miles to the southeast. This scenario would not require treatment and

compression facilities, but the length of the line would result in costs of more than \$3,181,000. Neither scenario considered issues related to right of way access, which may also significantly impact project costs. In comparison, Laredo projects gas production from July 15, 2013, through December 31, 2014, of 41,150 MCF. At \$4.55/MCF, the projected gas revenue would be about \$219,000.

Laredo is requesting authority to flare up to 90 MCF/D from July 15, 2013, through December 31, 2014. During this time, Laredo will continue to explore other options for legal disposition of the gas, which will include consideration of its plans for further development of the Hartley West (Canyon) Field. In the mean time, the flaring authority will continue to allow Laredo to produce oil from the Brisbin 12 Lease Well No. 1H.

FINDINGS OF FACT

1. Proper notice of this hearing was given; Laredo is the operator of all offset leases to the subject lease. There were no protests to the application.
2. The Brisbin 12 Lease Well No. 1H is the discovery well for the Hartley West (Canyon) Field.
3. The well is located approximately 25 miles southwest of the town of Hartley, Texas, in an area that lacks existing oil and gas infrastructure for new production.
4. Recent gas production from the well has ranged from 112 and 65 MCF/D.
5. Laredo received administrative Permit No. 13358 to flare up to 90 MCF/D of casinghead gas from January 14, 2013, to July 14, 2013, after three administrative extensions totaling the maximum 180 days.
6. Statewide Rule 32(h)(2) stipulates the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
7. An exception to Statewide Rule 32 to flare up to 90 MCF/D of casinghead gas will allow Laredo to continue to develop the well's oil resources while it evaluations options for disposition of the produced gas.

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 of oil, will not harm correlative rights, and will promote development of the field.

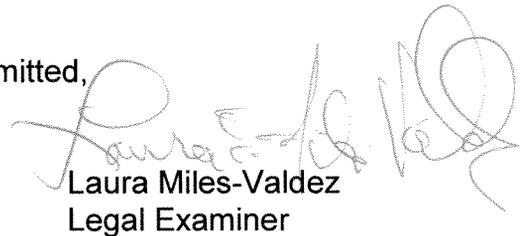
EXAMINERS' RECOMMENDATION

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 well, as requested by Laredo Petroleum, Inc.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Legal Examiner