



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0299350

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

HEARD BY: Paul Dubois – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: February 26, 2016

CONFERENCE DATE: March 29, 2016

APPEARANCES:

REPRESENTING:

Doug Dashiell
Rick Boring

Clayton Williams Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Clayton Williams Energy, Inc. ("CWEI") seeks an exception to flare casinghead gas at 18 flare points from numerous wells completed in the subject field that are located on 54 leases. These 18 flare points include the 13 flare points for which exceptions were granted in Oil & Gas Docket No. 08-0295012 (Final Order signed on June 9, 2015). In that case, CWEI obtained a one-year exception to flare 1,500 thousand cubic feet ("MCF") gas per day from 13 flare points. By this application, CWEI seeks authority to collectively flare up to a combined 1,500 MCF gas per day at the original 13 flare points plus five additional flare points through December 31, 2017. CWEI provided the Commission with a list of operators of wells adjacent to its leases for which this exception was requested. The Commission notified those operators of the hearing and afforded them an opportunity to protest. The application was not protested. The Administrative Law Judge and Technical Examiner (collectively, "Examiners") recommend the exception be granted as requested by CWEI.

DISCUSSION OF EVIDENCE

Mr. Rick Boring, CWEI's Vice President of Operations, testified as an expert on behalf of CWEI. In his role at CWEI, Mr. Boring is responsible for the oversight of production facilities related to the instant case. Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. CWEI seeks relief in the captioned docket pursuant to Statewide Rule 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.

Titled "Exceptions," Statewide Rule 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 June 9, 2015, CWEI received approval from the Commission to flare up to 1,500 MCFGD from 56 leases through 13 flare points from December 31, 2014 to December 31, 2015 (Oil & Gas Docket No. 08-0295012). On December 22, 2015, CWEI requested a hearing to extend the flaring authority for two more years, until December 31, 2017. The extension reconfigures certain aspects of the flaring (i.e., number of leases and flare points), but CWEI contends the fundamental need for an exception continues and is based on factors beyond its control.

At the hearing, Mr. Boring stated that CWEI currently operates 246 wells on 54 leases that are subject to this hearing. CWEI has added five additional flare points at well sites or tank batteries to more efficiently handle the produced casinghead gas. There is currently no additional development occurring in the area.

Over the last year oil and gas production from the leases has declined from about 2,612 barrels of oil per day to about 1,990 barrels of oil per day. Casinghead gas production has similarly declined from about 7,595 MCF to about 5,743 MCF. Most of the casinghead gas produced is sold to pipeline operator DCP Midstream ("DCP"). However, DCP's infrastructure exhibits curtailments caused capacity constraints and occasional failures that limit its ability to collect all gas produced by CWEI. In October 2015 CWEI flared an average of 157 MCF gas per day, and in November 2015 CWEI flared an

average of 369 MCF gas per day. However, in December 2015 two pipeline blowouts interrupted DCP's ability to take gas from CWEI, which forced CWEI to flare an average of 1,319 MCF gas per day that month.

CWEI claims that it does not flare casinghead gas from the subject leases every day. Mr. Boring testified that CWEI seeks the requested flaring authority to flare when needed due to DCP's inability to accept the gas, which is incremental and periodic. Because DCP is frequently unable to accept all of the daily produced casinghead gas, CWEI requests to extend its authority to flare casinghead gas from the subject leases due to the unavailability of a gas pipeline. CWEI seeks continued authority to flare up to 1,500 MCF gas per day combined for the 18 flare points indicated on Attachment A. While CWEI has added five additional flare points to the thirteen flare points CWEI currently has permitted, the total amount of gas CWEI is requesting is unchanged at 1,500 MCF.

FINDINGS OF FACT

1. Clayton Williams Energy, Inc. ("CWEI") requests an exception to flare casinghead gas from 18 flare points utilized for 54 leases that contain up to 246 wells completed in the Spraberry (Trend Area) Field, as described on Attachment A, pursuant to 16 Tex. Admin. Code §§3.32(h) and 3.32(f)(2)(D).
2. CWEI seeks authority to flare up to a combined 1,500 thousand cubic feet ("MCF") of gas per day from the subject leases described on Attachment A in the subject field until December 31, 2017.
3. CWEI received approval from the Commission to flare casinghead gas from the subject leases described on Attachment A in Oil & Gas Final Order 08-0295012, which authorized CWEI to flare up to 1,500 MCF collectively from 13 flare points.
4. CWEI collectively produces about 1,990 barrels of oil per and 5,743 MCF gas per day from the leases described in Attachment A.
5. All produced casinghead gas from the subject leases is capable of being delivered to DCP Midstream's ("DCP") gas pipeline system.
6. DCP's gas pipeline system does not have sufficient capacity to accept all casinghead gas produced from the subject leases described in Attachment A.
7. As a result of DCP's insufficient gas pipeline capacity, CWEI requests to flare casinghead gas produced from the subject leases described in Attachment A.
8. During the period from October through December 2014, the subject leases

described in Attachment A encountered a cumulative daily flaring average of 157 MCFG, 369 MCFG, and 1,319 MCFG, respectively.

9. CWEI needs to flare casinghead gas from the subject leases described in Attachment A because of DCP's insufficient pipeline capacity and/or maintenance of DCP's pipeline system.
10. 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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45.
3. The requested authority to collectively flare up to 1,500 MCF gas per day of casinghead gas derived from the Spraberry (Trend Area) Field, Andrews County, Texas from the subject leases described in Attachment A for a period that expires on December 31, 2017, satisfies the requirements of Title 16 TAC §3.32.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of CWEI for an exception to Statewide Rule 32 for the leases identified on Attachment A.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer Cook
Administrative Law Judge

**ATTACHMENT A
FLARE POINTS**

Flare or Vent Point No.	Lease Name	Lease ID No.
1	FLARE LOCATED @ BLOCK 5 COMPRESSOR STATION (between AU 28 #8 & #4) off of CR 8201 & Hwy 115	
	ANDREWS UNIVERSITY 16	39318
	ANDREWS UNIVERSITY 16B	40055
	ANDREWS UNIVERSITY 17	39876
	ANDREWS UNIVERSITY 20	38917
	ANDREWS UNIVERSITY 21	38731
	ANDREWS UNIVERSITY 28	38985
	ANDREWS UNIVERSITY 29	39522
	ANDREWS UNIVERSITY 32	39746
	ANDREWS UNIVERSITY 33	38863
2	FLARE LOCATED AT ANDREWS UNIVERSITY 26-4 #1 BATTERY - LAT 32.42338406 LONG -102.41614416	
	ANDREWS UNIVERSITY 37	39942
	ANDREWS UNIVERSITY 31	40557
	ANDREWS UNIVERSITY 36	40563
	SAMSON UNIVERSITY 13	40687
	SAMSON UNIVERSITY 14	40780
	SAMSON UNIVERSITY 24 CP #6265	40871
	SAMSON UNIVERSITY 25	40936
	SAMSON UNIVERSITY 23, CP 6265	41027
	ANDREWS UNIVERSITY 26-4	41142
3	ANDREWS UNIVERSITY 25-5	41130
4	ANDREWS FEE FLARE LOCATED AT THE MITCHELL BATTERY (#2 WELL) LAT 32° 16' 43.442"N, 102°26'57.827"W	
	ALLBRITTON	40002
	ANDREWS FEE 22	40134
	COVINGTON "33"	40226
	ORSON 27	40430
	KOLB "31-5"	40516
	FOREMAN 29-32	40624
	COVINGTON "33" B	40784
	ALLBRITTON "B"	40921
	MITCHELL	41137
	GALLOWAY	41658
	KILLIAN	41770
	KOLB "B"	43910

**ATTACHMENT A
FLARE POINTS**

Flare or Vent Point No.	Lease Name	Lease ID No.
4 (continued)	MITCHELL B	44847
	TOMPKINS	45046
	TOMPKINS B	45290
	PARTAIN	45407
	FOREMAN 32	45586
5	SAMSON UNIV LEASE FLARE LOCATED AT THE SAMSON UNIV 6 #6 WELL LAT 32.36955688°N 102.46994970°W	
	SAMSON UNIVERSITY 5	41153
	SAMSON UNIVERSITY 6	40950
	SAMSON UNIVERSITY 7	40864
	SAMSON UNIVERSITY 8	40152
	SAMSON UNIVERSITY 9	40534
6	SAMSON UNIVERSITY 15	40618
7	SAMSON UNIVERSITY 16	40687
8	ANDREWS UNIVERSITY 41-32	41394
9	ANDREWS UNIVERSITY 42	42258
10	STRIP 3	41757
11	ANDREWS UNIVERSITY 31-4	43261
12	SAMSON UNIVERSITY 18	40896
13	FLORES 26	45526
14	BURNETT 24	45420
15	COOK 26	45059
16	THOMPSON 26	45115
17	TOM 22	45573
18	VINCENT 23 #1	44930