



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 08-0276037

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THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE FOSTER-MCDONALD LEASE, WELL NO. 601, SPRABERRY (TREND AREA) FIELD, STERLING COUNTY

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HEARD BY: Brian K. Fancher, P.G. - Technical Examiner  
Terry Johnson - Legal Examiner

DATE OF HEARING: June 01, 2012

APPEARANCES:

REPRESENTING:

**APPLICANT:**

Doug Dashiell  
Ron Gasser

Clayton Williams Energy, Inc.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Clayton Williams Energy, Inc. ("CW") requests an exception to 16 TAC §3.32 to flare casinghead gas from its Foster-McDonald Lease, Well No. 601. All operators adjacent to the subject lease were notified of the subject hearing by Notice of Hearing dated June 01, 2012.

This application was unopposed and the examiners recommend approval of the application, as requested by CW.

**DISCUSSION OF THE EVIDENCE**

Title 16, §3.32 of the Texas Administrative Code governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. In the context of the subject application, CW requests to flare casinghead gas produced from the subject well, as prescribed in 16 TAC §3.32(h).

Specifically, 16 TAC §3.32(h) provides that an exception to flare natural gas in volumes greater than 50 MCFGPD per well may be granted administratively for a period up to 180 days. Beyond that, 16 TAC §3.32(h)(4) stipulates that exceptions beyond the 180 days shall be granted only in a final order signed by the Commission.

As proposed, CW seeks an exception 16 TAC §3.32 for four months beyond the 180-day administrative exception it obtained at a daily gas rate of 342 thousand cubic feet of gas per day ("MCFGPD") for its Foster-McDonald Lease, Well No. 601. The subject well is completed in the Spraberry (Trend Area) Field.

In support of its position, CW entered into evidence an administrative permit (Permit No. 10846) to flare 480 MCFGPD of casinghead gas from the subject well, that went into effect October 31, 2011 and expired December 30, 2011. Consequentially, CW applied for and received two permit amendments to flare casinghead gas for an additional 120 days, ultimately expiring on April 30, 2012.

CW submitted a base map that included the infrastructural layout for the gathering systems with their respective proximity to the subject well. The representative on behalf of CW testified that the tank battery associated with the subject well is connected to a six-inch pipeline that traverses 1,800 feet and is attached to a four-inch pipeline owned and operated by DCP Midstream Gathering. CW further testified that the four-inch gathering line connects to a larger gas transport line; however, DCP has failed to connect the four-inch pipeline, thus the basis for the request in the subject hearing.

CW submitted a production graph for its Foster-McDonald Lease, Well No. 601 that plots production versus time from 2012 through 2026. By extrapolating the production from the months in which the subject well has produced hydrocarbons, CW concluded the subject well has an Estimated Ultimate Recovery ("EUR") of 99,300 barrels of oil equivalent ("BOE") and 525.6 MMCFG. CW testified that as of June 2012 the subject well has produced 16,573 BOE and 67,880 MCFG, thus awaiting to produce remaining recoverable reserves in the amount of 82,727 BOE and 457.7 MMCFG. Beyond that, CW testified that the subject well currently produces at a rate of 2,200 BO per month.

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, CW applied for and received an administrative permit to flare casinghead gas from its subject well for a total of 180 days. CW testified it requires four months of additional time to flare casing-head gas in order to provide sufficient time for the pipeline infrastructure to be installed.

### **FINDINGS OF FACT**

1. Proper notice of this hearing was given to all operators adjacent to the Clayton Williams Energy, Inc ("CW"), Foster-McDonald Lease at least ten days prior to the date of hearing. There were no protests to the application.
2. The Foster-McDonald Lease, Well No. 601 is completed in the Spraberry (Trend Area) Field in Sterling County, Texas.

3. CW concluded the Foster-McDonald Lease, Well No. 601 will produce 99,300 barrels of oil equivalent ("BOE") and 525.6 million cubic feet of natural gas ("MMCFG").
4. Currently, there is no gas pipeline infrastructure available to its Foster-McDonald Lease, Well No. 601 to sell casing-head gas.
5. CW obtained an administrative permit from the Railroad Commission of Texas to flare casing-head gas from the Foster-McDonald Lease, Well No. 601 for a consecutive period of 180 days, beginning on October 31, 2011.
6. The administrative permit to flare casinghead gas from the Foster-McDonald Lease, Well No. 601 expired on April 30, 2012.
7. An exception to 16 TAC §3.32 for the Foster-McDonald Lease, Well No. 601 for a period of four months beyond April 30, 2012 at a rate of 342 thousand cubic feet of gas per day is appropriate.

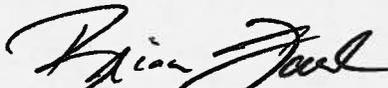
**CONCLUSIONS OF LAW**

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 16 TAC §3.32 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 16 TAC §3.32 for the Foster-McDonald Lease, Well No. 601 (API No. 42-431-33311) in the Spraberry (Trend Area) Field , as requested by Clayton Williams Energy, Inc.

Respectfully submitted,

  
Brian K. Fancher, P.G.  
Technical Examiner

  
Terry Johnson  
Legal Examiner