

**OIL & GAS DOCKET NOS. 08-0277309, 08-0277310, 08-0277311,
08-0277350 AND 08-0277353**

OIL AND GAS DOCKET NO. 08-0277309

**THE APPLICATION OF PIONEER NATURAL RES. USA, INC. FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE ECHOLS 1 LEASE, WELL NO. 1, IN THE SPRABERRY
(TREND AREA) FIELD, DAWSON COUNTY, TEXAS**

OIL AND GAS DOCKET NO. 08-0277310

**THE APPLICATION OF PIONEER NATURAL RES. USA, INC. FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE STEPHENS 8 LEASE, WELL NO. 1, IN THE
SPRABERRY (TREND AREA) FIELD, DAWSON COUNTY, TEXAS**

OIL AND GAS DOCKET NO. 08-0277311

**THE APPLICATION OF PIONEER NATURAL RES. USA, INC. FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE ECHOLS 9 LEASE, WELL NO. 1, IN THE SPRABERRY
(TREND AREA) FIELD, DAWSON COUNTY, TEXAS**

OIL AND GAS DOCKET NO. 08-0277350

**THE APPLICATION OF PIONEER NATURAL RES. USA, INC. FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE J. BROWN 13 LEASE, WELL NO. 1, IN THE
SPRABERRY (TREND AREA) FIELD, DAWSON COUNTY, TEXAS**

OIL AND GAS DOCKET NO. 08-0277353

**THE APPLICATION OF PIONEER NATURAL RES. USA, INC. FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE J. BROWN 17 LEASE, WELL NO. 1, IN THE
SPRABERRY (TREND AREA) FIELD, DAWSON COUNTY, TEXAS**

**OIL & GAS DOCKET NOS. 08-0277309, 08-0277310, 08-0277311,
08-0277350 AND 08-0277353**

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Randall Collins - Legal Examiner

DATE OF HEARING: August 23, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

George C. Neale
Don Burris
Jenna Staggs

Pioneer Natural Res. USA, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pioneer Natural Res. USA, Inc. ("Pioneer") requests an exception to Statewide Rule 32 to flare casinghead gas from the following wells in the Spraberry (Trend Area) Field:

<u>LEASE NAME</u>	<u>WELL NO.</u>
Echols 1	1
Stephens 8	1
Echols 9	1
J. Brown 13	1
J. Brown 17	1

Notice was provided to offset operators surrounding the above referenced leases. These applications are unopposed and the examiners recommend approval of the applications, as requested by Pioneer.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 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, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject applications, Pioneer is requesting to flare casinghead gas produced from the above listed wells for a period not to exceed 12 months, as provided by Statewide Rule 32(h).

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The subject wells in this application are completed in the Spraberry (Trend Area) Field, in the southwestern portion of Dawson County, Texas. The wells are located approximately 16 miles southwest of the town of Lamesa, Texas, in an area that lacks existing oil and gas infra-structure for new gas production. Pioneer's new producing wells are 19 miles from any existing gas gathering infrastructure.

Pioneer submitted a copy of the Commission Form W-2 filed for its Echols 1 Lease, Well No. 1, that was completed in November 2011. The well produced 73 BOPD, 42 MCFGPD and 279 BWPD with a gas-oil ratio of 575 cubic feet per barrel. Pioneer received administrative Permit No. 11190 to flare 24 MCFPD of casinghead gas from its Echols 1 Lease, Well No. 1. The permit was effective December 1, 2011, and expired on May 30, 2012, after one extension, which totaled the maximum 180 days allowed by an administrative permit.

Pioneer submitted a copy of the Commission Form W-2 filed for its Stephens 8 Lease, Well No. 1, that was completed in November 2011. The well produced 95 BOPD, 37 MCFGPD and 60 BWPD with a gas-oil ratio of 389 cubic feet per barrel. Pioneer received administrative Permit No. 11191 to flare 50 MCFPD of casinghead gas from its Stephens 8 Lease, Well No. 1. The permit was effective December 2, 2011, and expired on May 31, 2012, after one extension, which totaled the maximum 180 days allowed by an administrative permit.

Pioneer submitted a copy of the Commission Form W-2 filed for its Echols 9 Lease, Well No. 1, that was completed in October 2011. The well produced 40 BOPD, 31 MCFGPD and 215 BWPD with a gas-oil ratio of 775 cubic feet per barrel. Pioneer received administrative Permit No. 11189 to flare 17 MCFPD of casinghead gas from its Echols 9 Lease, Well No. 1. The permit was effective October 12, 2011 and expired on April 9, 2012, which totaled the maximum 180 days allowed by an administrative permit.

Pioneer submitted a copy of the Commission Form W-2 filed for its J. Brown 13 Lease, Well No. 1, that was completed in December 2011. The well produced 33 BOPD, 11 MCFGPD and 162 BWPD with a gas-oil ratio of 343 cubic feet per barrel. Pioneer received administrative Permit No. 11192 to flare 13 MCFPD of casinghead gas from its J. Brown 13 Lease, Well No. 1. The permit was effective January 12, 2012, and expired on July 12, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.

Pioneer submitted a copy of the Commission Form W-2 filed for its J. Brown 17 Lease, Well No. 1, that was completed in January 2012. The well produced 186 BOPD, 170 MCFGPD and 464 BWPD with a gas-oil ratio of 913 cubic feet per barrel. Pioneer received administrative Permit No. 11193 to flare 169 MCFPD of casinghead gas from its J. Brown 17 Lease, Well No. 1. The permit was effective January 18, 2012, and expired on July 18, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.

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Pioneer has recently signed a gas gathering contract with WTG Gas Processing, LP ("WTG"). Pioneer submitted a base map showing the infra-structural layout of a gas gathering pipeline system and compressor station that WTG is currently installing. The new system will have a maximum capacity of 125 MMCFGPD. The estimated costs for the gas gathering pipeline and compressor station are \$1.9 million and \$1.0 million, respectively. Pioneer requests an exception to Statewide Rule 32 to flare casinghead gas produced from the above listed wells for a period not to exceed 12 months. An exception to Statewide Rule 32 for the subject wells will give WTG time to complete the new gas gathering system.

FINDINGS OF FACT

1. Proper notice of this hearing was given 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, in the southwestern portion of Dawson County, Texas.
 - a. The wells are located approximately 16 miles southwest of the town of Lamesa, Texas, in an area that lacks existing oil and gas infrastructure for new gas production.
 - b. The new producing wells are 19 miles from any existing gas gathering infrastructure.
 - c. The Echols 1 Lease, Well No. 1, was completed in November 2011 and produced 73 BOPD, 42 MCFGPD and 279 BWPD with a gas-oil ratio of 575 cubic feet per barrel.
 - d. The Stephens 8 Lease, Well No. 1, was completed in November 2011 and produced 95 BOPD, 37 MCFGPD and 60 BWPD with a gas-oil ratio of 389 cubic feet per barrel.
 - e. The Echols 9 Lease, Well No. 1, was completed in October 2011 and produced 40 BOPD, 31 MCFGPD and 215 BWPD with a gas-oil ratio of 775 cubic feet per barrel.
 - f. The J. Brown 13 Lease, Well No. 1, was completed in December 2011 and produced 33 BOPD, 11 MCFGPD and 162 BWPD with a gas-oil ratio of 343 cubic feet per barrel.
 - g. The J. Brown 17 Lease, Well No. 1, was completed in January 2012 and produced 186 BOPD, 170 MCFGPD and 464 BWPD with a gas-oil ratio of 913 cubic feet per barrel.

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3. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
 - a. Pioneer Natural Res. USA, Inc. ("Pioneer") received administrative Permit No. 11190 to flare 24 MCFPD of casinghead gas from its Echols 1 Lease, Well No. 1. The permit was effective December 1, 2011, and expired on May 30, 2012, after one extension, which totaled the maximum 180 days allowed by an administrative permit.
 - b. Pioneer received administrative Permit No. 11191 to flare 50 MCFPD of casinghead gas from its Stephens 8 Lease, Well No. 1. The permit was effective December 2, 2011, and expired on May 31, 2012, after one extension, which totaled the maximum 180 days allowed by an administrative permit.
 - c. Pioneer received administrative Permit No. 11189 to flare 17 MCFPD of casinghead gas from its Echols 9 Lease, Well No. 1. The permit was effective October 12, 2011 and expired on April 9, 2012, which totaled the maximum 180 days allowed by an administrative permit.
 - d. Pioneer received administrative Permit No. 11192 to flare 13 MCFPD of casinghead gas from its J. Brown 13 Lease, Well No. 1. The permit was effective January 12, 2012, and expired on July 12, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
 - e. Pioneer received administrative Permit No. 11193 to flare 169 MCFPD of casinghead gas from its J. Brown 17 Lease, Well No. 1. The permit was effective January 18, 2012, and expired on July 18, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. Pioneer has recently signed a gas gathering contract with WTG Gas Processing, LP ("WTG").
 - a. WTG is currently installing a new gas gathering pipeline system and compressor station.
 - b. The new system will have a maximum capacity of 125 MMCFGPD.
 - c. The estimated costs for the gas gathering pipeline and compressor station are \$1.9 million and \$1.0 million, respectively.

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- d. An exception to Statewide Rule 32 for the subject wells will give WTG time to complete the new gas gathering system.
5. An exception to Statewide Rule 32 for the subject wells to flare casinghead gas for a period not to exceed 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 not to exceed 12 months for the subject wells in the Spraberry (Trend Area) Field, as requested by Pioneer Natural Res. USA, Inc.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

Randall Collins
Legal Examiner