



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0278859

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR CWEI-CHK 246-13 LEASE, WELL NOS. 1 & 2 IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Michael Crnich- Legal Examiner

HEARING DATE: December 5, 2012

ER&R PREPARED BY: Paul Dubois

APPEARANCES: **REPRESENTING:**

APPLICANT:

Doug Dashiell
Robert Newton

Clayton Williams Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Clayton Williams Energy, Inc. ("Williams") requests an exception to Statewide Rule 32 to flare gas from the CWEI-CHK 246-13 Lease, Well Nos. 1 & 2 (API Nos. 389-32843 and 389-33250, respectively) in the Wolfbone (Trend Area) Field, Reeves County, Texas.

All operators in the subject field were notified of the hearing, there were no objections filed, and no protestants appeared at the hearing.

The application is unopposed and the examiners recommend approval of the exception to Statewide Rule 32 to flare gas for the subject wells, as requested by Williams.

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 subject applications, Williams is requesting to flare gas produced by the subject wells, as provided in Statewide Rule 32(h).

The subject wells in this application are completed in the Wolfbone (Trend Area) Field, located in Reeves County, Texas. The wells are located approximately 5 miles south of the town of Pecos, Texas, in an area that lacks existing oil and gas infrastructure for new production. Casinghead gas produced from the subject wells contains from 4,000 ppm H₂S in Well No. 1 to 5,000 ppm H₂S in Well No. 2. The gas is not marketable, and there are no H₂S pipelines in the area. Williams does not anticipate further development of the lease.

Economic analysis provided by Williams indicates that the cost of an amine gas sweetening facility would cost about \$200,000 to install and \$15,000 per month to operate. At current market prices (\$3.60), the facility would lose upwards of \$6 million over its lifetime. Similarly, the project would break even only if gas prices were sustained at about \$21.50 for the life of the well. Without a flaring permit for the sour gas, the wells would have to be shut in and the crude oil reserves would be lost. Also, shutting in multi-stage wells for a long length of time has a negative effect on the reservoir as well as future production and reserves.

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 granted for a total of 180 days. Williams applied for and received an administrative permit to flare casinghead gas combined from the subject wells for a total of 180 days. Permit no. 11299 had an original effective date of April 19, 2012 for 100 MCF/D. It was extended and amended on June 19, 2012 for 65 MCF/D. The final extension and amendment became effective on August 19, 2012 for 30 MCF/D.

Williams testified that it is requesting the additional exception to Statewide Rule 32 to flare less than 150 MCFGPD for the CWEI-CHK 246-13, Well Nos. 1 and 2, from October 19, 2012 through October 18, 2013, to prevent waste of crude oil reserves.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all operators in the Wolfbone (Trend Area) Field 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 Wolfbone (Trend Area) Field, located in Reeves County, Texas.
 - a. The wells are located approximately 5 miles south of the town of Pecos, Texas, in an area that lacks existing oil and gas infrastructure for new production.
 - b. At the time of completion, there was no H₂S gas pipeline infrastructure available to the two subject wells.
 - c. The gas is not marketable.
 - d. Williams does not anticipate further development of this lease.
 - e. Installation and operation of an amine gas sweetening facility is economically not feasible.
3. Williams received administrative Permit No. 11299 to flare up to 100 MCFPD of casinghead gas combined from the CWEI-CHK 246-13 Well Nos. 1 & 2, from April 19, 2012 to October 18, 2012, after three extensions totaling the maximum 180 days.
9. 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.
10. An exception to Statewide Rule 32 to flare up to 150 MCFPD of casinghead gas combined from the CWEI-CHK 246-13 Well Nos. 1 & 2 will allow Clayton Williams Energy, Inc. to prevent waste and produce the crude oil reserves.

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, 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 wells, as requested by Clayton Williams Energy, Inc.



Paul Dubois
Technical Examiner

Respectfully submitted,



Michael Crnich
Legal Examiner