



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0277367

THE APPLICATION OF CLEARFORK PRODUCTION, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 12 LEASE, WELL NO. 1, IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0277368

THE APPLICATION OF CLEARFORK PRODUCTION, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 4 LEASE, WELL NO. 1, IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0277369

THE APPLICATION OF CLEARFORK PRODUCTION, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 5 LEASE, WELL NO. 2, IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

DATE OF HEARING: September 7, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

George C. Neale
Christopher S. Hotchkiss
Glenn Reed

Clearfork Production, LLC

EXAMINERS' REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

Clearfork Production, LLC ("Clearfork") 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>
Big Max 12	1
Big Max 4	1
Big Max 5	2

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 Clearfork.

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, Clearfork is requesting to flare casinghead gas produced from the above listed wells through May 31, 2013, as provided by Statewide Rule 32(h).

The subject wells in this application are completed in the Spraberry (Trend Area) Field, in southeastern Andrews County, Texas. The subject wells are located approximately 5 miles southeast of the town of Andrews, Texas. This area of the Spraberry (Trend Area) Field lacks existing oil and gas infrastructure for new gas production. Clearfork's new producing wells are approximately 5 miles from a DCP Midstream gas gathering system and 15 miles from the Mid Mar Energy Partners Gas Plant. The DCP Midstream system can only handle up to 150 MCFGPD at a maximum pressure of 50 psi.

Clearfork submitted a copy of the Commission Form W-2 filed for its Big Max 12 Lease, Well No. 1, that was completed in January 2012. The well produced 83 BOPD, 101 MCFGPD and 360 BWPD with a gas-oil ratio of 1,216 cubic feet per barrel. Clearfork received administrative Permit No. 11045 to flare 125 MCFPD of casinghead gas from its Big Max 12 Lease, Well No. 1. The permit was effective January 15, 2012, and expired on July 15, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Clearfork requests to flare 100 MCFPD of casinghead gas.

Clearfork submitted a copy of the Commission Form W-2 filed for its Big Max 4 Lease, Well No. 1, that was completed in November 2011. The well produced 98 BOPD, 119 MCFGPD and 420 BWPD with a gas-oil ratio of 1,214 cubic feet per barrel. Clearfork received administrative Permit No. 11047 to flare 125 MCFPD of casinghead gas from its Big Max 4 Lease, Well No. 1. The permit was effective January 15, 2012, and expired on July 15, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Clearfork requests to flare 100 MCFPD of casinghead gas.

Clearfork submitted a copy of the Commission Form W-2 filed for its Big Max 5 Lease, Well No. 2, that was completed in November 2011. The well produced 102 BOPD, 124 MCFGPD and 285 BWPD with a gas-oil ratio of 1,215 cubic feet per barrel. Clearfork received administrative Permit No. 11046 to flare 125 MCFPD of casinghead gas from its Big Max 5 Lease, Well No. 2. The permit was effective January 15, 2012, and expired on July 15, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Clearfork requests to flare 125 MCFPD of casinghead gas.

Clearfork signed a gas gathering contract in September 2012 with DCP Midstream. Clearfork submitted a base map showing the infra-structural layout of a gas gathering pipeline system that it is currently installing. The new gas gathering system will be 5 miles in length and have an estimated cost of \$1.1 million. Since DCP Midstream can only take up to 150 MCFGPD at a maximum pressure of 50 psi, Clearfork is working with other operators in the area to lay another gas gathering pipeline to the Mid Mar Energy Partners Gas Plant. The new gas gathering system to the gas plant will be 15 miles in length and have an estimated cost of \$4.0 million, but won't be completed until May 31, 2013. Clearfork requests an exception to Statewide Rule 32 to flare casinghead gas produced from the subject wells through May 31, 2013. An exception to Statewide Rule 32 for the subject wells will give Clearfork time to complete the new gas gathering system to the gas plant. Clearfork opined that it would lose approximately \$10,000 per day in cashflow revenue if it had to shut-in the subject wells.

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 southeastern Andrews County, Texas.
 - a. The subject wells are located approximately 5 miles southeast of the town of Andrews, Texas.
 - b. This area of the Spraberry (Trend Area) Field lacks existing oil and gas infra-structure for new gas production.

- c. Clearfork Production, LLC's ("Clearfork") new producing wells are approximately 5 miles from a DCP Midstream gas gathering system and 15 miles from the Mid Mar Energy Partners Gas Plant.
 - d. The Big Max 12 Lease, Well No. 1, was completed in January 2012 and produced 83 BOPD, 101 MCFGPD and 360 BWPD with a gas-oil ratio of 1,216 cubic feet per barrel.
 - e. The Big Max 4 Lease, Well No. 1, was completed in November 2011 and produced 98 BOPD, 119 MCFGPD and 420 BWPD with a gas-oil ratio of 1,214 cubic feet per barrel.
 - f. The Big Max 5 Lease, Well No. 2, was completed in November 2011 and produced 102 BOPD, 124 MCFGPD and 285 BWPD with a gas-oil ratio of 1,215 cubic feet per barrel.
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. Clearfork received administrative Permit No. 11045 to flare 125 MCFPD of casinghead gas from its Big Max 12 Lease, Well No. 1. The permit was effective January 15, 2012, and expired on July 15, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
 - b. Clearfork received administrative Permit No. 11047 to flare 125 MCFPD of casinghead gas from its Big Max 4 Lease, Well No. 1. The permit was effective January 15, 2012, and expired on July 15, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
 - c. Clearfork received administrative Permit No. 11046 to flare 125 MCFPD of casinghead gas from its Big Max 5 Lease, Well No. 2. The permit was effective January 15, 2012, and expired on July 15, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. Clearfork signed a gas gathering contract in September 2012 with DCP Midstream.
- a. Clearfork is currently installing a new gas gathering pipeline system that will be 5 miles in length and have an estimated cost of \$1.1 million.

- b. Since DCP Midstream can only take up to 150 MCFGPD at a maximum pressure of 50 psi, Clearfork is working with other operators in the area to lay another gas gathering pipeline to the Mid Mar Energy Partners Gas Plant.
 - c. The new gas gathering system to the gas plant will be 15 miles in length and have an estimated cost of \$4.0 million, but won't be completed until May 31, 2013.
 - d. An exception to Statewide Rule 32 through May 31, 2013, for the subject wells will give Clearfork time to complete the new gas gathering system to the gas plant.
5. An exception to Statewide Rule 32 through May 31, 2013, for the subject wells to flare casinghead gas is appropriate.
- a. For its Big Max 12 Lease, Well No. 1, Clearfork requests to flare 100 MCFPD of casinghead gas.
 - b. For its Big Max 4 Lease, Well No. 1, Clearfork requests to flare 100 MCFPD of casinghead gas.
 - c. For its Big Max 5 Lease, Well No. 2, Clearfork requests to flare 125 MCFPD of casinghead gas.
 - d. Clearfork will lose approximately \$10,000 per day in cashflow revenue if it has to shut-in the subject wells.

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 through May 31, 2013, for the subject wells in the Spraberry (Trend Area) Field, as requested by Clearfork Production, LLC.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Laura Miles-Valdez
Legal Examiner