

OIL AND GAS DOCKET NO. 08-0274135

THE APPLICATION OF WINDSOR PERMIAN LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 25 NW LEASE, WELL NO. 6 IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0275330

THE APPLICATION OF WINDSOR PERMIAN LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 24 SW LEASE, WELL NO. 13 IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0275331

THE APPLICATION OF WINDSOR PERMIAN LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 26 SE LEASE, WELL NO. 9 IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0275332

THE APPLICATION OF WINDSOR PERMIAN LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 25 NE LEASE, WELL NO. 8 IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
James Doherty- Legal Examiner

HEARING DATE: April 5, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Jamie Nielson
Jeff White

Windsor Permian, LLC

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

Windsor Permian, LLC. ("Windsor") requests an exception to Statewide Rule 32 to flare gas from the Big Max 25 NW Lease, Well No. 6 (API No. 42-003-42672), Big Max 24 SW Lease, Well No. 13 (API No. 42-003-42683), Big Max 26 SE Lease, Well No. 9 (API No. 42-003-42890), and the Big Max 25 NE Lease, Well No. 8 (API No. 42-003-42682), in the Spraberry (Trend Area) Field, Andrews County, Texas.

All operators in the subject field were notified of the hearing, there were no objections filed, and no protestant 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 Windsor.

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 context of the subject application, Windsor 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 Spraberry (Trend Area) Field, located in Andrews County, Texas. The wells are located approximately 8 miles southeast of the town of Andrews, Texas, in an area that lacks existing oil and gas infrastructure for new production. The new production is part of the Wolfberry play that is expanding outer limits of the existing Spraberry (Trend Area) Field. Windsor testified that, at the time of completion, there was no gas pipeline infrastructure available to the wells in this request. Windsor stated that it had initially signed a gas sales contract with Midmar. However gas analysis indicated the gas contained CO₂ and N₂ at high concentrations that Midmar could not accept. Windsor was able to sign a sales contract with DCP Midstream pipeline that can take their gas. Windsor is currently in the process of acquiring Right-of-Way for 3 miles of pipeline that will gather all of the gas from its wells to a DCP Midstream pipeline. Windsor anticipates completing construction on the gathering pipeline by the end of November 2012 but requests additional time through May 2013 as it is in negotiation with an other operator to share construction costs which may delay completion of the gas line past the November 2012 time line.

Windsor received administrative Permit No. 10804 to flare 40 MCFPD of casinghead gas from its Big Max 25 NW Lease, Well No. 6, that went into effect July 1, 2011 and expired on December 28, 2011, after three extensions totaling the maximum 180 days.

Windsor received administrative Permit No. 10825 to flare 100 MCFPD of casinghead gas from its Big Max 24 SW Lease, Well No. 13, that went into effect November 9, 2011 and expired on March 9, 2012, after two extensions totaling 120 days. Windsor received administrative Permit No. 10819 to flare 100 MCFPD of casinghead gas from its Big Max 26 SE Lease, Well No. 9, that went into effect November 7, 2011 and expired on March 7, 2012, after two extensions totaling 120 days. Windsor received administrative Permit No. 10827 to flare 237 MCFPD of casinghead gas from its Big Max 25 NE Lease, Well No. 8, that went into effect November 9, 2011 and expired on March 9, 2012, after two extensions totaling 120 days.

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, Windsor applied for and received an administrative permit to flare casinghead gas from the subject wells for a total of 120 to 180 days each. Windsor testified that due to the amount of time it will take to construct the gathering pipelines, it is requesting the exception to Statewide Rule 32 to flare a volume up to 100 MCFGPD for the Big Max 25 NW Lease, Well No. 6, up to 60 MCFGPD for the Big Max 24 SW Lease, Well No. 13, up to 129 MCFGPD for the Big Max 26 SE Lease, Well No. 9, and up to 300 MCFGPD for the Big Max 25 NE Lease, Well No. 8, through May 31, 2013, a period of time that will exceed 180 days.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all operators in the Spraberry (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 Spraberry (Trend Area) Field, located in Andrews County, Texas.
 - a. The wells are located approximately 8 miles southeast of the town of Andrews, Texas, in an area that lacks existing oil and gas infrastructure for new production. The new production is part of the Wolfberry play that is expanding outer limits of the existing Spraberry (Trend Area) Field.
 - b. At the time of completion, there was no gas pipeline infrastructure available to the wells in this request.
 - c. Windsor is currently in the process of acquiring Right-of-Way for 3 miles of pipeline that will gather all of the gas from its wells to the DCP Midstream pipeline.

- d. Windsor anticipates completing construction on the gathering pipeline by the end of November 2012.
3. Windsor received administrative permits to flare casinghead gas for each well. The permits, even with a maximum extension of 180 days, will expire prior to connecting the wells to the DCP Midstream sales gas line. The administrative permits are as follows:
 - a. Permit No. 10804 to flare 40 MCFPD of casinghead gas from its Big Max 25 NW Lease, Well No. 6, that went into effect July 1, 2011 and expired on December 28, 2011.
 - b. Permit No. 10825 to flare 100 MCFPD of casinghead gas from its Big Max 24 SW Lease, Well No. 13, that went into effect November 9, 2011 and expired on March 9, 2012.
 - c. Permit No. 10819 to flare 100 MCFPD of casinghead gas from its Big Max 26 SE Lease, Well No. 9, that went into effect November 7, 2011 and expired on March 7, 2012.
 - d. Permit No. 10827 to flare 290 MCFPD of casinghead gas from its Big Max 25 NE Lease, Well No. 8, that went into effect November 9, 2011 and expired on March 9, 2012.
4. Additional construction delays related to construction of the Windsor gathering line may occur past the estimated November 2012 completion date as Windsor is in negotiations with another operator to share construction costs.
5. 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.
6. An exception to Statewide Rule 32 to flare casinghead gas through May 2013 is appropriate as gathering lines will not be connected to sales line until then.
 - a. Windsor requests to flare up to 100 MCFGPD for the Big Max 25 NW Lease, Well No. 6, from December 28, 2011 through May, 2013.
 - b. Windsor requests to flare up to 60 MCFGPD for the Big Max 24 SW Lease, Well No. 13, from March 3, 2012 through May, 2013.
 - c. Windsor requests to flare up to 129 MCFGPD for the Big Max 26 SE Lease, Well No. 9, from March 7, 2012 through May, 2013.

- d. Windsor requests to flare up to 300 MCFGPD for the Big Max 25 NE Lease, Well No. 8, from March 9, 2012 through May, 2013.

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 Windsor Permian, LLC.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner

James Doherty
Legal Examiner