



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0278846

THE APPLICATION OF CLEARFORK PRODUCTION, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 1 LEASE, WELL NO. 1, BIG MAX 11 LEASE, WELL NO. 2, AND THE BIG MAX 12 LEASE, WELL NO. 2, IN THE SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Terry Johnson- Legal Examiner

DATE OF HEARING: November 16, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

George C. Neale
Jay Moore

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 Big Max 1 Lease, Well No. 1, Big Max 11 Lease, Well No. 2 and the Big Max 12 Lease, Well No. 2 in the Spraberry (Trend Area) Field.

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 application, 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 infra-structure 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 is a temporary system that can only handle up to 300 MCFGPD at a maximum pressure of 50 psi from two take points. The temporary system is anticipated to be completed in the first week of January 2013.

Clearfork submitted a copy of the Commission Form W-2 filed for its Big Max 1 Lease, Well No. 1, that was completed in December 2011. The well produced 79 BOPD, 102 MCFGPD and 148 BWPD with a gas-oil ratio of 1,291 cubic feet per barrel. Clearfork received administrative Permit No. 11270 to flare 120 MCFPD of casinghead gas from its Big Max 1 Lease, Well No. 1. The permit was effective April 16, 2012, and expired on October 15, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.

Clearfork submitted a copy of the Commission Form W-2 filed for its Big Max 11 Lease, Well No. 2, that was completed in July 2012. The well produced 103 BOPD, 120 MCFGPD and 1,120 BWPD with a gas-oil ratio of 1,165 cubic feet per barrel. Clearfork received administrative Permit No. 12020 to flare 120 MCFPD of casinghead gas from its Big Max 11 Lease, Well No. 2. The permit was effective September 15, 2012, and expired on November 14, 2012, which totaled the maximum 60 days allowed by an administrative permit.

Clearfork submitted a copy of the Commission Form W-2 filed for its Big Max 12 Lease, Well No. 2, that was completed in March 2012. The well produced 178 BOPD, 249 MCFGPD and 529 BWPD with a gas-oil ratio of 1,398 cubic feet per barrel. Clearfork received administrative Permit No. 11693 to flare 250 MCFPD of casinghead gas from its Big Max 12 Lease, Well No. 2. The permit was effective July 15, 2012, and expired on November 13, 2012, after one extension, which totaled the maximum 120 days allowed by an administrative permit. A hearing request was made on October 12, 2012, before the expiration date of any of the subject wells' administratively granted permits. Clearfork tested each wells current gas production in August 2012. Gas production from each well varied from 80.5 to 125 MCFGPD. Clearfork requests to flare 135 MCFPD of casinghead gas from each well.

Clearfork submitted a base map showing the infra-structural layout of a temporary gas gathering pipeline system that it is currently installing. The temporary gas gathering system will be 5 miles in length and have an estimated cost of \$179,825. The temporary gas gathering system is expected to be completed in the first week in January 2013. Since DCP Midstream can only take up to 300 MCFGPD at a maximum pressure of 50 psi, from the two take points, Clearfork will need to extend the flare authority until the permanent pipeline is completed. The permanent gas gathering system to the gas plant will be 15 miles in length and 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 permanent gas gathering system to the gas plant.

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. The Big Max 1 Lease, Well No. 1, was completed in December 2011 and produced 79 BOPD, 102 MCFGPD and 148 BWPD with a gas-oil ratio of 1,291 cubic feet per barrel.
 - d. The Big Max 11 Lease, Well No. 2, was completed in July 2012 and produced 103 BOPD, 120 MCFGPD and 1,120 BWPD with a gas-oil ratio of 1,165 cubic feet per barrel.
 - e. The Big Max 12 Lease, Well No. 2, was completed in March 2012 and produced 178 BOPD, 249 MCFGPD and 529 BWPD with a gas-oil ratio of 1,398 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. 11270 to flare 120 MCFPD of casinghead gas from its Big Max 1 Lease, Well No. 1. The permit was effective April 16, 2012, and expired on October 15,

- 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
- b. Clearfork received administrative Permit No. 12020 to flare 120 MCFPD of casinghead gas from its Big Max 11 Lease, Well No. 2. The permit was effective September 15, 2012, and expired on November 14, 2012, which totaled the maximum 60 days allowed by an administrative permit.
 - c. Clearfork received administrative Permit No. 11693 to flare 250 MCFPD of casinghead gas from its Big Max 12 Lease, Well No. 2. The permit was effective July 15, 2012, and expired on November 13, 2012, after one extension, which totaled the maximum 120 days allowed by an administrative permit.
 - d. A hearing request was made by Clearfork on October 12, 2012, before the expiration date of any of the subject wells' administratively granted permits.
4. Clearfork signed a gas gathering contract in September 2012 with DCP Midstream.
- a. Clearfork is currently installing a temporary gas gathering pipeline system that will be 5 miles in length and have an estimated cost of \$179,825.
 - b. The temporary gas gathering system is expected to be completed in the first week in January 2013. The DCP Midstream can only take up to 300 MCFGPD at a maximum pressure of 50 psi, from the two take points, therefore Clearfork will need to extend the flare authority until the permanent pipeline is completed.
 - c. The permanent gas gathering system to the gas plant will be 15 miles in length and 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 permanent 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. Clearfork requests to flare 135 MCFPD of casinghead gas for each well, for the Big Max 1 Lease, Well No. 1, Big Max 11 Lease, Well No. 2 and the Big Max 12 Lease, Well No. 2.

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.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Terry Johnson
Legal Examiner