



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 09-0281425

THE APPLICATION OF ANSCHUTZ EXPLORATION CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE WHITE LEASE, WELL NO. 1H, IN THE WILDCAT FIELD, WILBARGER COUNTY, TEXAS

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

HEARING DATE: April 17, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Brant Gimmeson

Anschutz Exploration Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Anschutz Exploration Corporation ("Anschutz") requests a permanent exception to Statewide Rule 32 to flare flare casinghead gas from the White Lease, Well No. 1H in the Wildcat Field.

Offset operators in the subject lease 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 exceptions to Statewide Rule 32 to flare gas for the subject well, for a period of one year from the date of the order. Anschutz does not consider the one year limitation adverse.

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

The White Lease, Well No. 1H in this application was completed in the Wildcat Field in August 2012, located in Wilbarger County, Texas. The well is completed into the Barnett Shale formation and an application for a new field discovery is pending. The well had an initial potential test of 94 BO, 200 MCF of gas and 116 BWPD. The well currently produces a lower volume of casinghead gas of 65 MCFGPD. The well is located approximately 4 miles east of the town of Vernon, Texas, in an area that lacks nearby oil and gas infrastructure.

Anschutz testified that the cost to build and operate a gas pipeline to nearby existing sales pipelines will far exceed the revenue derived from the estimated gas produced from the well; therefore, Anschutz is requesting permanent authority to flare the gas. Decline curve analysis shows the White Well No. 1H has remaining reserves of 40 MMCF. Total cost to install the sales pipeline will be \$1.8 million. Additionally, the White Well No. 1H will need rental compression equipment which are estimated to cost \$7,000 monthly. Net revenue from the sales of gas less lease and compression expenses will generate a loss of \$647,402 over a 8-year period.

Anschutz received administrative Permit No. 12040 to flare 90 MCFPD of casinghead gas from its White Well No. 1H, that went into effect September 9, 2012, and expired on March 10, 2013, after two extensions totaling the maximum 180 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, Anschutz applied for and received an administrative permit to flare casinghead gas from the subject wells for a total of 180 days. Anschutz testified that because it is uneconomic to construct gas pipelines to nearby existing sales pipelines, it is requesting a permanent exception to Statewide Rule 32 to flare the current volume of gas being produced. The Examiners will only grant the exception for a period of one year from the date of the order. The one year exception will allow Anschutz to reevaluate market conditions and pipeline availability in the area in order to prevent the unnecessary flaring of casinghead gas. Anschutz does not consider this recommendation adverse. Should the well produce below 50 MCFPD, Anschutz can apply for administrative approval to flare the casinghead gas on a permanent basis.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators of the lease at least ten days prior to the date of hearing. There were no protests to the application.

2. The White Well No. 1H in this application is completed in the Wildcat Field, located in Wilbarger County, Texas.
 - a. The White Well No. 1H is completed into the Barnett Shale formation and an application for a new field discovery is pending.
 - b. The White Well No. 1H had an initial potential test of 94 BO, 200 MCF of gas and 116 BWPD.
 - c. The White Well No. 1H currently produces 65 MCFPD of casinghead gas and has reserves of 40 MMCF of remaining recoverable casinghead gas.
 - d. The well is located approximately 7.5 miles from existing gas pipelines.
3. The cost to construct a gas pipeline and operate a compressor will exceed the value of casinghead gas produced for the well.
 - a. Decline curve analysis shows the White Well No. 1H has remaining reserves of 40 MMCF.
 - b. Total cost to install the sales pipeline will be \$1.8 million.
 - c. The White Well No. 1H will need rental compression equipment which are estimated to cost \$7,000 monthly.
 - d. Connecting the White Well No. 1H to a sales line is expected to generate a loss of \$647,402 after the costs to construct and operate the pipeline are deducted over a 8-year period.
4. Anschutz received an administrative permit to flare casinghead gas from each well for the maximum 180 days.
 - a. Permit No. 11400 to flare 90 MCFPD of casinghead gas from its White Well No. 1H, went into effect September 9, 2012, and expired on March 10, 2013.
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. A one year exception to Statewide Rule 32 to flare casinghead gas at the 90 MCFPD rate for the White Well No. 1H in this application is appropriate.

7. Should the well produce below 50 MCFPD, Anschutz can apply for administrative approval to flare the casinghead gas on a permanent basis.

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 a one-year exception to Statewide Rule 32 to flare gas for the subject well 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 a one year exception to Statewide Rule 32 for the White, Well No. 1H in the Wildcat Field.

Respectfully submitted,



Andres J. Trevino, P.E.
Technical Examiner



Terry Johnson
Legal Examiner