

**THE APPLICATION OF APACHE CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIVINS-LIT LEASE, WELL NOS. 302 AND 1151, IN THE PAINT RIDGE (CANYON GRANITE WSH) FIELD, OLDHAM COUNTY, TEXAS**

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**HEARD BY:** Richard D. Atkins, P.E. - Technical Examiner  
Gene Montes - Legal Examiner

**DATE OF HEARING:** February 06, 2012

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:**

Bill Spencer  
Jim Clark, P.E.

Apache Corporation

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Apache Corporation ("Apache") requests an exception to Statewide Rule 32 to flare casinghead gas from its Bivins-Lit Lease, Well Nos. 302 and 1151, in the Paint Ridge (Canyon Granite Wsh) Field. All operators in the subject field were notified of the hearing and no protestant appeared at the hearing.

This application is unopposed and the examiners recommend approval of the application, as requested by Apache.

**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, Apache is requesting to flare casinghead gas produced by its Bivins-Lit Lease, Well Nos. 302 and 1151 for a volume of 210 MCFPD and 130 MCFPD of casinghead gas, respectively, as provided in Statewide Rule 32(h).

The Paint Ridge (Canyon Granite Wsh) Field was discovered in March 2010 at an average depth of 9,200 feet. There are 3 producing oil wells and two operators carried on the proration schedule. The field operates under Statewide Rules. Cumulative production

from the field through April 2012 is 108.8 MBO and 40.2 MMCFG.

The subject wells in this application are completed in the Paint Ridge (Canyon Granite Wsh) Field, in the northeastern portion of Oldham County, Texas. The wells are located approximately 10 miles southeast of the town of Channing, Texas, in an area that lacks existing oil and gas infra-structure for new high pressure gas production. In support of its application, Apache submitted a copy of the Commission Form W-2 filed for its Bivins-Lit Lease, Well Nos. 302 and 1151. Well No. 302 was completed in December 2011 and produced 1,013 BOPD, 781 MCFGPD and 50 BWPD with a gas-oil ratio of 770 cubic feet per barrel. Well No. 1151 was completed in January 2012 and produced 114 BOPD, 84 MCFGPD and 4 BWPD with a gas-oil ratio of 736 cubic feet per barrel.

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. Apache received administrative Permit No. 10935 to flare 550 MCFPD of casinghead gas from its Well No. 302, that went into effect December 15, 2011 and expired on June 13, 2012, after three extensions totaling the maximum 180 days. Apache received administrative Permit No. 10936 to flare 200 MCFPD of casinghead gas from its Well No. 1151, that went into effect December 15, 2011 and expired on June 15, 2012, after three extensions totaling the maximum 180 days.

Apache submitted production graphs for its Bivins-Lit Lease, Well Nos. 302 and 1151, plotting production versus time from completion to June 2012. By extrapolating the production out to June 2013, Apache concluded that the subject wells will produce 81,000 BO with 76.1 MMCFG and 60.5 MBO with 47.0 MMCFG, respectively. Using \$100 per barrel of oil and \$4.50 per MCF of gas, Apache estimated that the gross oil revenue from each well represents approximately 97% of the total hydrocarbon revenue from each well.

Apache submitted a base map that included the infra-structural layout for each of the two low pressure gathering systems, operated by Pioneer Natural Resources and DCP Midstream Gathering. The Pioneer gathering system has a maximum operating pressure of 50 psi and the DCP gathering system has a maximum operating pressure of 70 psi. Apache stated that it has completed constructing a nine mile pipeline from its Bivins-Lit Lease production facilities to both gathering pipeline systems at an estimated cost of \$5.6 million. The maximum operating pressure of the Apache pipeline is 140 psi.

Apache is currently only selling gas to DCP, but anticipates the signing of a gas contract and gas delivery to Pioneer in the near future. Apache believes that the producing wellhead pressures should decline to below the maximum pressures of the two low pressure gathering systems by June 2013. Accordingly, Apache is requesting the exception to Statewide Rule 32 to flare the volume of gas that can't be delivered to the two low pressure gathering systems. For Well Nos. 302 and 1151, Apache requests to flare a volume of 210 MCFPD and 130 MCFPD of casinghead gas, respectively, for a period not to exceed 12 months.

**FINDINGS OF FACT**

1. Proper notice of this hearing was given to all operators in the Paint Ridge (Canyon Granite Wsh) Field at least ten days prior to the date of hearing. There were no protests to the application.
2. The Paint Ridge (Canyon Granite Wsh) Field was discovered in March 2010 at an average depth of 9,200 feet.
  - a. There are 3 producing oil wells and two operators carried on the proration schedule.
  - b. The field operates under Statewide Rules.
3. Well No. 302 was completed in December 2011 and produced 1,013 BOPD, 781 MCFGPD and 50 BWPD with a gas-oil ratio of 770 cubic feet per barrel.
4. Well No. 1151 was completed in January 2012 and produced 114 BOPD, 84 MCFGPD and 4 BWPD with a gas-oil ratio of 736 cubic feet per barrel.
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.
  - a. Apache received administrative Permit No. 10935 to flare 550 MCFPD of casinghead gas from its Well No. 302, that went into effect December 15, 2011 and expired on June 13, 2012, after three extensions totaling the maximum 180 days.
  - b. Apache received administrative Permit No. 10936 to flare 200 MCFPD of casinghead gas from its Well No. 1151, that went into effect December 15, 2011 and expired on June 15, 2012, after three extensions totaling the maximum 180 days.
6. Apache submitted production graphs for the Bivins-Lit Lease, Well Nos. 302 and 1151, plotting production versus time from completion to June 2012.
  - a. By extrapolating the production out to June 2013, the subject wells will produce 81,000 BO with 76.1 MMCFG and 60.5 MBO with 47.0 MMCFG, respectively.
  - b. Using \$100 per barrel of oil and \$4.50 per MCF of gas, the estimated gross oil revenue from each well represents approximately 97% of the total hydrocarbon revenue from each well.

7. There are two low pressure gathering systems, operated by Pioneer Natural Resources and DCP Midstream Gathering.
  - a. The Pioneer gathering system has a maximum operating pressure of 50 psi and the DCP gathering system has a maximum operating pressure of 70 psi.
  - b. Apache has completed constructing a nine mile pipeline from its Bivins-Lit Lease production facilities to both gathering pipeline systems at an estimated cost of \$5.6 million.
  - c. The maximum operating pressure of the Apache pipeline is 140 psi.
  - d. Apache is currently only selling gas to DCP, but anticipates the signing of a gas contract and gas delivery to Pioneer in the near future.
  - e. Apache is requesting the exception to Statewide Rule 32 to flare the volume of gas that can't be delivered to the two low pressure gathering systems.
  - f. The producing wellhead pressures should decline to below the maximum pressures of the two low pressure gathering systems by June 2013.
8. An exception to Statewide Rule 32 for the Bivins-Lit Lease, Well Nos. 302 and 1151, to flare a volume of 210 MCFPD and 130 MCFPD of casinghead gas, respectively, for a period not to exceed 12 months, is appropriate.

#### **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 for a period of 12 months for the Bivins-Lit Lease, Well Nos. 302 and 1151, in the Paint Ridge (Canyon Granite Wsh) Field, as requested by Apache Corporation.

Respectfully submitted,

Richard D. Atkins, P.E.  
Technical Examiner

Gene Montes  
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