



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0278858

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR MERCEDES CATTLE CO. 153-13 LEASE, WELL NO. 1 IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0278861

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR CWEI-CHK 180-13 LEASE, WELL NO. 1 IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0278862

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR CWEI-CHK 25-C8 LEASE, WELL NO. 1 IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0278864

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR LOWE ROYALTY 142-13 LEASE, WELL NO. 1 IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Michael Crnich- Legal Examiner

HEARING DATE: December 5, 2012

ER&R PREPARED BY: Paul Dubois

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Robert Newton

Clayton Williams Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Clayton Williams Energy, Inc. ("Williams") requests an exception to Statewide Rule 32 to flare gas from the Mercedes Cattle Co. 153-13 Lease, Well No. 1 (API No. 389-32894), CWEI-CHK 180-13 Lease, Well No. 1 (API No. 389-32960), CWEI-CHK 25-C8 Lease, Well No. 1 (API No. 389-32922) and Lowe Royalty 142-13 Lease, Well No. 1 (API No. 389-32986) in the Wolfbone (Trend Area) Field, Reeves County, Texas.

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

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 subject applications, Williams 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 Wolfbone (Trend Area) Field, located in Reeves County, Texas. The wells are located approximately 5 miles south of the town of Pecos, Texas, in an area that lacks existing oil and gas infrastructure for new production.

Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a particular well for 60 days. Such permit may be granted for a total of 180 days. Williams applied for and received administrative permits to

flare casinghead gas from the subject wells for a total of 180 days each. Williams received the following administrative permits for the four wells:

Well	Permit	MCF/D	Issued	Expired
Mercedes Cattle Co. 153-13, Well No. 1	11077	140	01/28/12	07/28/12
CWEI-CHK 180-13, Well No. 1	11084	110	02/06/12	08/05/12
CWEI-CHK 25-C8, Well No. 1	11081	270	02/01/12	08/01/12
Lowe Royalty 142-13, Well No. 1	11079	280	01/31/12	07/31/12

All wells had expired flare permits after two extensions totaling the maximum 180 days. Williams requested a hearing to obtain additional time for the exceptions as a result of failure to secure right-of-way and other issues. After hearing on August 27, 2012, the following Final Orders were granted by conference action on October 2, 2012:

Well	Docket No.	MCF/D	Issued	Expired
Mercedes Cattle Co. 153-13, Well No. 1	08-0277616	125	07/29/12	08/28/12
CWEI-CHK 180-13, Well No. 1	08-0277622	60	08/06/12	09/25/12
CWEI-CHK 25-C8, Well No. 1	08-0277618	160	08/02/12	10/15/12
Lowe Royalty 142-13, Well No. 1	08-0277621	165	08/01/12	10/20/12

On October 17, 2012 Williams requested a hearing to extend the exceptions, by which time three of the exceptions had expired. Williams testified that it continued to encounter difficulties in negotiating right-of-way agreements, and that once agreements were in place the actual gathering pipeline construction and well connection would typically take less than three weeks per well. Williams testified that it has also encountered technical difficulties, specifically with boring a pipeline route under a roadway for the Mercedes Cattle Co. 153-13, Well No. 1, and so an alternate route had to be selected. Williams anticipates completing construction and well hook-up as soon as December 5, 2012 in the case of CWEI-CHK 25-C8, Well No. 1, to May 15, 2013 for the Mercedes Cattle Co. 153-13, Well No. 1. The requested flare rate extensions are as follows:

Well	Docket No.	MCF/D	From	To
Mercedes Cattle Co. 153-13, Well No. 1	08-0278858	150	10/17/12	05/15/13
CWEI-CHK 180-13, Well No. 1	08-0278861	55	10/17/12	03/06/13
CWEI-CHK 25-C8, Well No. 1	08-0278862	132	10/17/12	12/05/12
Lowe Royalty 142-13, Well No. 1	08-0278864	127	10/20/12	01/14/13

Williams has notified the RRC that the CWEI-CHK 180-13 Well No. 1, the CWEI-CHK 25-C8 Well No. 1, and the Lowe Royalty 142-13 Well No. 1 were connected to the pipelines on March 6, 2013, December 5, 2012, and January 14, 2013, respectively.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all operators in the Wolfbone (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 Wolfbone (Trend Area) Field, located in Reeves County, Texas.
 - a. The wells are located approximately 5 miles south of the town of Pecos, Texas, in an area that lacks existing oil and gas infrastructure for new production.
 - b. At the time of completion, there was limited gas pipeline infrastructure available to the six subject wells.
 - c. Williams has signed a gas sales contract with Southern Union Gas Company and is currently in the process of acquiring Right-of-Way for the pipeline that will gather all of the gas from its wells in the area.
 - d. Additional delays have occurred due to Right of Way negotiations with the Pecos Valley Railroad, a ROW condemnation hearing, and probate issues.
 - e. Williams anticipates completing construction on the gathering pipelines from December 15, 2012 to May 15, 2013.
3. With regard to the Mercedes Cattle Co. 153-13, Well No. 1
 - a. Williams received administrative Permit No. 11077 to flare 140 MCFPD of casinghead gas from January 28, 2012 to July 28, 2012, after three extensions totaling the maximum 180 days.
 - b. By Final Order (Docket No. 08-0278858) Williams received an extension of the exception to flare 125 MCFPD of casinghead gas from July 29, 2012 to October 15, 2012.
 - c. Administrative Permit No. 11077 expired on October 15, 2012, before the hearing was requested on October 17, 2012.
4. With regard to the CWEI-CHK 180-13, Well No. 1

- a. Williams received administrative Permit No. 11084 to flare 110 MCFPD of casinghead gas from February 6, 2012 to August 5, 2012, after three extensions totaling the maximum 180 days.
 - b. By Final Order (Docket No. 08-0277616) Williams received an extension of the exception to flare 60 MCFPD of casinghead gas from August 6, 2012 to September 25, 2012.
 - c. Administrative Permit No. 11084 expired on October 25, 2012, before the hearing was requested on October 17, 2012.
 - d. This well went to sales on March 6, 2013.
5. With regard to the CWEI-CHK 25 - C8, Well No. 1
 - a. Williams received administrative Permit No. 11081 to flare 270 MCFPD of casinghead gas from February 1, 2012 to August 1, 2012, after three extensions totaling the maximum 180 days.
 - b. By Final Order (Docket No. 08-0277622) Williams received an extension of the exception to flare 160 MCFPD of casinghead gas from August 2, 2012 to October 15, 2012.
 - c. Administrative Permit No. 11081 expired on October 15, 2012, before the hearing was requested on October 17, 2012.
 - d. This well went to sales on December 5, 2012.
6. With regard to the Lowe Royalty 142-13, Well No. 1
 - a. Williams received administrative Permit No. 11079 to flare 280 MCFPD of casinghead gas from January 31, 2012 to July 31, 2012, after three extensions totaling the maximum 180 days.
 - b. By Final Order (Docket No. 08-0277618) Williams received an extension of the exception to flare 165 MCFPD of casinghead gas from August 1, 2012 to October 20, 2012.
 - d. This well went to sales on January 14, 2013.
7. 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.
8. Exceptions to Statewide Rule 32 to flare casinghead gas is appropriate and will allow Clayton Williams Energy, Inc. sufficient time to construct and connect a pipeline to the subject wells as follows:
 - a. Up to 185 MCFGPD for the Mercedes Cattle Co. 153-13, Well No. 1, from October 17, 2012 through May 15, 2013;
 - b. Up to 55 MCFGPD for the CWEI-CHK 180-13, Well No. 1, from October 17, 2012 through March 6, 2013;
 - c. Up to 132 MCFGPD for the CWEI-CHK 25 - C8, Well No. 1, from October 17, 2012 through December 5, 2012;

- d. And up to 127 MCFGPD for the Lowe Royalty 142-13, Well No. 1, from October 20, 2012 through January 14, 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.
4. Approval of the requested exceptions to Statewide Rule 32 to flare gas for the subject wells cannot be dated earlier than the date on which a hearing was requested (October 17, 2012) for wells in which the earlier exceptions expired.

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 Clayton Williams Energy, Inc.

Respectfully submitted,



Paul Dubois
Technical Examiner



Michael Crnich
Legal Examiner