



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 08-0277616

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. 08-0277618

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. 08-0277619

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR CWEI-CHK 182-13 LEASE, WELL NO. 1 IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0277620

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR GELTMEYER 245-13 LEASE, WELL NO. 1 IN THE WOLFBONE (TREND AREA) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0277621

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

OIL AND GAS DOCKET NO. 08-0277622

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

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

HEARING DATE: August 27, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Doug Dashiell
Matt Swierc

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), Geltmeyer 245-13 Lease, Well No. 1 (API No. 389-32970), Lowe Royalty 142-13 Lease, Well No. 1 (API No. 389-32986), CWEI-CHK State180-13 Lease, Well No. 1 (API No. 389-32960), CWEI-CHK 25 - C8 Lease, Well No. 1 (API No. 389-32922) and CWEI-CHK 182-13 Lease, Well No. 1 (API No. 389-32962), 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 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 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. Williams testified that, at the time of completion, there was limited gas pipeline infrastructure available to the wells in this request. Williams stated that it 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. Delays have occurred due to Right of Way negotiations with the Pecos Valley Railroad, a ROW condemnation hearing, and probate issues. Williams anticipates completing construction on the gathering pipeline for some wells by the beginning of August 2012 and other wells by mid October 2012.

Williams received the following administrative permits for the six wells:

Well	Permit	MCF/D	Issued	Expired
Mercedes Cattle Co. 153-13, Well No. 1	11077	140	01/28/12	7/28/12
Geltmeyer 245-13, Well No. 1	11080	180	02/01/12	8/01/12
Lowe Royalty 142-13, Well No. 1	11079	280	01/31/12	7/31/12
CWEI-CHK State180-13, Well No. 1	11084	110	02/06/12	8/05/12
CWEI-CHK 25 - C8, Well No. 1	11081	270	02/01/12	8/01/12
CWEI-CHK 182-13, Well No. 1	11083	150	02/06/12	8/05/12

All wells have expired flare permits after three 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 particular well for 60 days. Such permit may be granted for a total of 180 days. As previously mentioned, Williams applied for and received administrative permits to flare casinghead gas from the subject wells for a total of 180 days each. Williams 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 of less than 125 MCFGPD for the Mercedes Cattle Co. 153-13, Well No. 1, from July 29, 2012 through October 15, 2012, 81 MCFGPD for the Geltmeyer 245-13, Well No. 1, from August 2, 2012 through August 6, 2012, 165 MCFGPD for the Lowe Royalty 142-13, Well No. 1,

from August 1, 2012 through October 20, 2012, 60 MCFGPD for the CWEI-CHK State180-13, Well No. 1, from August 6, 2012 through September 25, 2012, 160 MCFGPD for the CWEI-CHK 25 - C8, Well No. 1, from August 2, 2012 through October 15, 2012, and 35 MCFGPD for the CWEI-CHK 182-13, Well No. 1, from August 6, 2012 through September 25, 2012.

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 pipeline by the beginning of August 2012 and other wells by mid October 2012.
3. Williams received administrative Permit No. 11077 to flare 140 MCFPD of casinghead gas from its Mercedes Cattle Co. 153-13, Well No. 1, that went into effect January 28, 2012 and expired on July 28, 2012, after three extensions totaling the maximum 180 days.
4. Williams received administrative Permit No. 11080 to flare 180 MCFPD of casinghead gas from its Geltmeyer 245-13, Well No. 1, that went into effect February 1, 2012 and expired on August 1, 2012, after three extensions totaling the maximum 180 days.

5. Williams received administrative Permit No. 11079 to flare 280 MCFPD of casinghead gas from its Lowe Royalty 142-13, Well No. 1, that went into effect January 31, 2012 and expired on July 31, 2012, after three extensions totaling the maximum 180 days.
6. Williams received administrative Permit No. 11084 to flare 110 MCFPD of casinghead gas from its CWEI-CHK State180-13, Well No. 1, that went into effect February 6, 2012 and expired on August 5, 2012, after three extensions totaling the maximum 180 days.
7. Williams received administrative Permit No. 11081 to flare 270 MCFPD of casinghead gas from its CWEI-CHK 25 - C8, Well No. 1, that went into effect February 1, 2012 and expired on August 1, 2012, after three extensions totaling the maximum 180 days.
8. Williams received administrative Permit No. 11083 to flare 150 MCFPD of casinghead gas from its CWEI-CHK 182-13, Well No. 1, that went into effect February 6, 2012 and expired on August 5, 2012, after three extensions totaling the maximum 180 days.
9. 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.
10. An exception to Statewide Rule 32 to flare 125 MCFGPD for the Mercedes Cattle Co. 153-13, Well No. 1, from July 29, 2012 through October 15, 2012, 81 MCFGPD for the Geltmeyer 245-13, Well No. 1, from August 2, 2012 through August 6, 2012, 165 MCFGPD for the Lowe Royalty 142-13, Well No. 1, from August 1, 2012 through October 20, 2012, 60 MCFGPD for the CWEI-CHK State180-13, Well No. 1, from August 6, 2012 through September 25, 2012, 160 MCFGPD for the CWEI-CHK 25 - C8, Well No. 1, from August 2, 2012 through October 15, 2012, and 35 MCFGPD for the CWEI-CHK 182-13, Well No. 1, from August 6, 2012 through September 25, 2012, will allow Clayton Williams Energy, Inc. sufficient time to construct a pipeline to the subject wells.

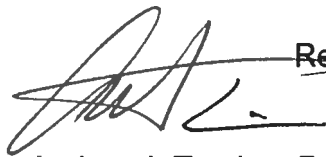
CONCLUSIONS OF LAW

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 Clayton Williams Energy, Inc.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Terry Johnson
Legal Examiner