



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0303992

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR FLARE GAS PERMIT FOR THE THURMAN 143-13 LEASE, WELL NO. 1H, HOEFS T-K (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0303993

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR FLARE GAS PERMIT FOR THE LONGORIA 11 LEASE, WELL NO. 1H, HOEFS T-K (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: May 17, 2017

CONFERENCE DATE: August 1, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Betsy Luna

Clayton Williams Energy, Inc

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Clayton Williams Energy, Inc ("Clayton") seeks exceptions to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas from the Thurman 143-13 Lease, Well No. 1H, and from the Longoria 11 Lease, Well No. 1H, Hoefs T-K (Wolfcamp) Field, Reeves County, Texas. The gas produced and flared through these facilities contains hydrogen sulfide, which must be treated to reach specification before it can be placed into a gas gathering, sales and transmission system. Costs to treat the gas are economically prohibitive. All offset operators in the subject fields were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exceptions to Statewide 32.

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 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

On August 24, 2016, Clayton was granted authority by Final Order 08-0300642 to flare up to 500 thousand cubic feet (MCF) of gas per day (MCFD) from the Thurman 143-13 Lease, Well No. 1-H from May 18, 2016 to May 17, 2017. Clayton was also granted authority on August 24, 2016, by Final Order 08-0300708 to flare up to 350 MCFD from the Longoria 11 Lease, Well No. 1H from August 13, 2016 to August 12, 2017. It is noted that both Final Orders were written for Williams, Clayton Energy, Inc. The subject leases and wells referenced in the captioned dockets are the same as stated in the previous Final Orders.

Clayton's request for a hearing to amend the flaring authority was received on March 6, 2017. Clayton reported that both wells have been reworked and oil production has increased. When the oil production increased, there was also greater volumes of gas flared. Clayton is requesting amending the flare volumes as shown on the following table.

FLARE PERMIT NO. 25861, THURMAN 143-13 LEASE, WELL NO. 1-H	
Date	Volume
March 1 to 30, 2017	741 MCFD
April 1 to August 12, 2017	616 MCFD
FLARE PERMIT NO. 25679, LONGORIA 11 LEASE, WELL NO. 1H	
Date	Volume
December 1 to December 31, 2016	589 MCFD
January 1 to January 31, 2017	379 MCFD
February 1 to February 28, 2017	421 MCFD
March 1 to August 12, 2017	350 MCFD

Clayton reported the need to flare remains the same as previously reported (Oil and Gas Docket Nos. 08-0300642 and 08-0300708). Sour gas concentration from the wells has increased over time, requiring treatment before sales. There are no sour gas pipelines in the area. As noted in the previous dockets, three possible options to avoid flaring the produced gas were discussed. The first option is to blend the sour gas with sweet gas produced on the subject leases. However, this would likely cause the sweet gas to fail to meet the pipeline specifications. The second option, installing an amine plant, is not practical because the wells producing sour gas are far apart and the cost to treat the gas would not be economically feasible. A third option considered is to use a scavenger to treat the gas. The cost of the scavenging media is estimated to be about \$3.50 per MCF for the Thurman Lease. Additional expenses of up to \$2.50 per MCF may be incurred because of gathering, compression, and the labor/operations involved. These costs significantly exceed the value of the gas. Therefore, Clayton asserts that flaring the H₂S gas is the only safe and economically viable method of disposition.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. There were no protests to the application.
2. The Thurman 143-13 Lease, Well No. 1H, and the Longoria 11 Lease, Well No. 1H, are both located in the Hoefs T-K (Wolfcamp) Field, Reeves County, Texas.

3. On August 24, 2016, Clayton was granted authority by Final Order 08-0300642 to flare up to 500 MCFD from the Thurman 143-13 Lease, Well No. 1-H from May 18, 2016 to May 17, 2017.
4. Clayton was granted authority on August 24, 2016, by Final Order 08-0300708 to flare up to 350 MCFD from the Longoria 11 Lease, Well No. 1H from August 13, 2016 to August 12, 2017.
5. Both wells have been reworked and oil production has increased.
6. Sour gas is produced from the subject units, and the gas does not meet the pipeline specifications for sweet gas facilities.
7. Clayton indicated that pipeline and/or treatment options were not economically viable, and requests authority to flare gas produced from the subject leases.
8. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051.
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32.
3. The requested exception to flare casinghead gas meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h).
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on August 1, 2017.

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 Thurman 143-13 Lease, Well No. 1-H, and the Longoria 11 Lease, Well No. 1H as requested by Clayton Williams Energy, Inc.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Jennifer Cook
Administrative Law Judge