



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0303197

THE APPLICATION OF DIAMONDBACK E&P, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LOVING FEE BATTERY, FORD WEST (DELAWARE SAND) FIELD, LOVING COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Marshal Enquist – Administrative Law Judge

ER & R PREPARED BY: Richard Eyster, P. G.

HEARING DATE: March 3, 2017

CONFERENCE DATE: June 6, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Diamondback E & P, LLC

Jamie Nielson
Caleb Tash
Chris Bledsoe

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.32, Diamondback E & P, LLC (Diamondback) seeks an exception to flare casinghead gas at its Loving Fee Tank Battery for a period of two years. All persons entitled to notice received notice of the hearing. The matter is not protested. The Technical Examiner and the Administrative Law Judge (collectively the Examiners) recommend approval of the application.

DISCUSSION OF THE EVIDENCE

16 Tex. Admin. Code §3.32 ("SWR 32") governs flaring of natural gas produced under the jurisdiction of the Railroad Commission. Titled "Exceptions," SWR 32(h) states:

"Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission."

Diamondback is requesting to flare casinghead gas from the Loving Fee Tank Battery in Loving County, Texas at a volume of 425 mcf/d for a period of two years, effective February 13, 2017 through February 12, 2019. Diamondback obtained an administrative permit, Permit No. 27753, for the Loving Fee Tank Battery. The tank battery was permitted to flare 125 mcf/d for 90 days, from August 16, 2016 through November 14, 2016. The permit also authorized Diamondback to flare 400 mcf/d for 90 days starting on November 15, 2016 and expired on February 13, 2017. On January 9, 2017 Diamondback requested a hearing to obtain an exception by Final Order. Diamond back is now requesting a two year flaring exception from February 13, 2017 through February 12, 2019 at a rate of 425 mcf/d.

Diamondback stated during the hearing that the closest pipeline to the Loving Fee is located approximately one half-mile from the tank battery. Diamondback testified that the economics are not favorable at this time to build another pipeline. Without a Final Order from the Commission authorizing the continued flaring of casinghead gas from the Loving Fee Tank Battery until it is economical to connect the well to a pipeline Diamondback stated they would have to shut in production from the wells, resulting in waste of hydrocarbon reserves. The estimated cost to construct a pipeline would be \$170,000 and the projected revenue for the gas is \$65,725 which results in a loss of \$104,275.

FINDINGS OF FACT

1. Diamondback E & P, LLC seeks an exception to flare casinghead gas derived from the Ford West, (Delaware Sand) Field at its Loving Fee Tank Battery Loving County, Texas.
2. Diamondback was the only party that attended the hearing held for the Subject Application.
3. Diamondback received administrative authority to flare from Loving Fee Tank Battery, effective August 16, 2016 through February 13, 2017. (Flare Permit No. 27753).
4. Diamondback requests to flare up to 425 MCFGD for two years, at its Loving Fee Tank Battery, from February 13, 2017 through February 12, 2019.
5. On January 9, 2017, Diamondback submitted its written request for a hearing on the Subject Application.

6. The necessity for flaring casinghead gas from the Loving Fee Tank Battery because it is currently uneconomic to construct a pipeline.
7. Approval of the subject application is reasonable and appropriate, in accordance with 16 Tex. Admin. Code §3.32(h).

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 Diamondback E&P LLC, an exception to flare 425 mcf/d casinghead gas derived from the Ford West (Delaware Sand) Field at its Loving Fee Tank Battery, Loving County, Texas for a period of two years from February 13, 2017 through February 12, 2019.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Marshall Enquist
Administrative Law Judge