



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0308178

THE APPLICATION OF DIAMONDBACK E&P LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BIG MAX 25 NE TANK BATTERY, SPRABERRY (TREND AREA) FIELD, ANDREWS COUNTY, TEXAS

HEARD BY: Paul Dubois, P.E. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: January 19, 2017

CONFERENCE DATE: February 13, 2018

APPEARANCES:

APPLICANT:

Jamie Nielson
Alysa Milam
Jeff Ryan
JT Shults

REPRESENTING:

Diamondback E&P LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32) Diamondback E&P LLC ("Diamondback") seeks authority to flare gas at from the Big Max 25 NE Tank Battery in the Spraberry (Trend Area) Field, Andrews County, Texas. Diamondback has held Commission authority to flare gas from the facility most recently through a Final Order in Oil and Gas Docket No. 08-0299508. Diamondback seeks to extend its authority to flare up to 350 thousand cubic feet ("mcf") of gas per day for a period of two years. Authority to flare gas will enable Diamondback to continue to produce liquid hydrocarbons from the lease. The application was not protested. The Examiners recommend Diamondback's exception be granted.

Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Diamondback seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)... if the operator of a well or production facility presents information to show the necessity for the release...

Statewide Rule 32(h)(4) 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.

Because Diamondback requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address Diamondback's request for an exception is through a hearing resulting in a final order signed by the Commission.

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.
2. Diamondback operates the Big Max 25 NE Tank Battery in the Spraberry (Trend Area) Field in Andrews County, Texas, and is located about 5 ½ miles southeast of Andrews, Texas.
3. The Big Max 25 NE Tank Battery serves a one-well lease, the Big Max 25 NE Lease (No. 42665).
 - a. The lease currently produces about 2,500 mcf gas per month.
 - b. The lease currently produces about 800 barrels of oil per month.
 - c. The current value of the oil produced is about four times that of the gas produced.
4. The Big Max 25 NE Tank Battery is not connected to a gas gathering system.
5. Diamondback has Commission authority to flare gas from the subject facility (Permit No. 10827).
 - a. Permit No. 10827 became effective on November 9, 2011.
 - b. Permit No. 10827 has been extended several times.

- c. The most recent extension was through Commission Final Order in Oil and Gas Docket No. 08-0299508, which authorized Diamondback to flare up to 350 mcf gas for a period of two years.
 - d. The current flaring authority expired on December 28, 2017.
 - e. On November 30, 2017, Diamondback requested a hearing to further extend the flaring authority.
6. The nearest gas gathering system with available capacity is located about 4,500 feet to the southwest and is operated by James Lake Midstream.
 - a. James Lake Midstream is developing plans to extend its gathering system to the Big Max 25 NE Lease.
 - b. Implementation of the gathering system extension will depend on several factors, including the successful acquisition of rights of way.
 - c. Two other gas gathering systems are in the area, but neither has available capacity to collect the Big Max 25 Lease gas.
7. Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission.
8. Authority to flare up to 350 mcf gas per day from the Big Max 25 NE Tank Battery will enable Diamondback to continue to operate the Big Max 25 NE Lease.
9. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code §81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §§1.42 and 1.45.
3. The requested authority to flare casinghead gas satisfies the requirements of Title 16, Texas Administrative Code 3.32(h).

4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on February 13, 2018.

EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the application of Diamondback for an exception to Statewide Rule 32 for the Big Max 25 NE Tank Battery, Spraberry (Trend Area) Field, Andrews County, Texas, as set out in the attached Final Order.

Respectfully submitted,



Paul Dubois, P.E.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge