



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0285158

THE APPLICATION OF BERRY OIL COMPANY FOR AN EXCEPTION TO STATEWIDE
RULE 32 FOR THE GARDENDALE CENTRAL TANK BATTERY, SPRABERRY FIELD,
ECTOR COUNTY, TEXAS

HEARD BY: Karl Caldwell - Technical Examiner
Marshall Enquist - Legal Examiner

HEARING DATE: March 6, 2014

APPEARANCES:

REPRESENTING:

APPLICANT:

Berry Oil Company

Davin McGinnis
Debra Gordon

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Berry Oil Company ("Berry") requests an exception to Statewide Rule 32 to flare gas from the Gardendale Central Tank Battery, Spraberry Field, Ector County, Texas. The Gardendale Central Tank Battery collects casinghead gas from eleven (11) separate leases (Table 1), consolidates the gas, and transports the gas to one of two plants, either the DCP or Coronado processing plant.

All offset 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 from the Gardendale Central Tank Battery, as requested by Berry.

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 MCFGPD per

well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, Berry is requesting to flare gas from Gardendale Central Tank Battery as provided by Statewide Rule 32(h).

The Gardendale Central Tank Battery collects casinghead gas from eleven (11) separate leases (Table 1), consolidates the gas, and transports the gas to one of two plants, either the DCP or Coronado processing plant. As of January 2014, the well count from the 11 leases listed in Table 1 was 89 wells. Berry is forecasting the well count to increase to 124 wells, an increase of 28%, by March, 2015. The rapid pace of drilling and completing wells in the Spraberry Field has resulted in a significant increase in the amount of casinghead gas produced.

An increase in production has resulted in Berry curtailing gas deliveries to the DCP and Coronado gas processing plants. Both DCP and Coronado lack the capacity to process all the gas being produced at the present time. Whenever the DCP or Coronado line can not accept gas from the Gardendale Central Tank Battery, the line pressure increases, and at a certain set-point, the line to the flare at the Gardendale Central Tank Battery opens up to flare casinghead gas. If Berry is unable to flare gas when the DCP and Corando lines can not accept gas due to a lack of capacity, wells would have to be shut-in. If wells were required to be shut-in, it may cause damage to the reservoir, resulting in a loss of production as well as a reduction in the ultimate recovery of reserves.

Table 1: Leases contributing to the Gardendale Central Tank Battery Flare (Lease ID No.40446)

Lease	Lease ID No.
Gardendale 1	40616
Gardendale 2	42312
Gardendale 5	40553
Gardendale 6	40761
Gardendale 7	40615
Gardendale 8	40446
Gardendale 9	40523
Gardendale 10	40509
Gardendale 11	40616
Gardendale 12	40668
Gardendale 14	41018
Mcrae Farm 2	43017

Berry received administrative Permit No. 13483 to flare a maximum of 3,000 MCFPD of casinghead gas for the Gardendale Central Tank Battery, effective May 15, 2013 through November 12, 2013, after an amendment. In total, Permit No. 13483 was requested to be extended for 180 days, the maximum length of time allowed by an administrative permit. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if the operator has requested a hearing prior to the expiration of the administratively granted flare permit.

Berry has requested a hearing for the Gardendale Central Tank Battery before the administratively granted flare permit expired. Berry requests an exception to flare a maximum of 7,000 MCFGPD of casinghead gas from the Gardendale Central Tank Battery from the expiration of the administratively-granted flare permit through March 1, 2015.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten (10) days prior to the date of hearing and no protests to the application were received.
2. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
3. Permit No. 13483 granted flaring authority of casinghead gas from the Gardendale Central Tank Battery for 180 days, the maximum length of time allowed by an administrative permit.
4. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if the operator has requested a hearing prior to the expiration of the administratively-granted flare permit.
5. Berry has requested a hearing for the Gardendale Central Tank Battery before the administratively granted flare permit expired.
6. The Gardendale Central Tank Battery collects casinghead gas from eleven (11) separate leases (89 wells), consolidates the gas, and transports it to one of two plants, either the DCP or Coronado processing plant.
7. Both DCP and Coronado lack the capacity to process all gas being produced at the present time. Whenever the DCP or Coronado line can not accept gas from the Gardendale Central Tank Battery, the Gardendale Central Tank Battery flares casinghead gas.
8. An exception to Statewide Rule 32 from the date the administratively granted flare permit expires through March 1, 2015 for the Gardendale Central Tank

Battery to flare casinghead gas is appropriate.

9. For the Gardendale Central Tank Battery, Berry requests to flare a maximum of 7,000 MCFPD of casinghead gas.

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 casinghead gas from the Gardendale Central Tank Battery 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 Gardendale Central Tank Battery, as requested by Berry Oil Company.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Marshall Enquist
Legal Examiner