



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0299508

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: Richard Eyster, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: March 9, 2016

CONFERENCE DATE: June 21, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Diamondback E & P, LLC

Jamie Nielson
Caleb Tash
Alysa Milam

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 Big Max 25 NE Tank Battery (Big Max) for a period of two years. All persons entitled to notice received notice of the hearing. The matter is not protested.

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 Sprayberry (Trend Area) Field at its Big Max 25 NE Tank Battery (Big Max) in Andrews County, Texas at a volume of 350 mcf/d for a period of two years, effective December 28, 2015 to December 28, 2017. Diamondback obtained an administrative permit, Permit No.10827, for the Big Max 25 NE Tank Battery. The tank battery was permitted to flare 350 thousand cubic feet per day (MCFD) for 180 days, from November 9, 2011 through March 9, 2012. On April 24, 2012 a final order (08-0275332) granted Diamondback flaring authority from March 9, 2012 through May 31, 2013. On July 1, 2015 Diamondback received another 180 day exception authorizing Diamondback to flare 350 MCFD from July 1, 2015 through December 28, 2015. On December 3, 2015, Diamondback requested a hearing to obtain an exception by Final Order.

Diamondback stated during the hearing that the closest pipeline to the Big Max is located approximately 4,000 ft. from the tank battery. However, the operator of the pipeline has advised Diamondback that it cannot take gas from the Big Max tank battery because of limitations of its purchaser. Diamondback testified that the economics are not favorable at this time to build another pipeline, and without another Final Order from the Commission authorizing the continued flaring of casinghead gas from the Big Max 25 NE 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, possibly resulting in waste of hydrocarbon reserves.

FINDINGS OF FACT

1. Diamondback E & P, LLC seeks an exception to flare casinghead gas derived from the Sprayberry (Trend Area) Field at its Big Max 25 NE Tank Battery Andrews County, Texas.
2. Diamondback was the only party that attended the hearing held for the Subject Application.
3. Diamondback requests to flare up to 350 MCFGD for two years, at its Big Max 25 NE Tank Battery, from December 28, 2015 to December 29, 2017.
4. Diamondback received administrative authority to flare from Big Max 25 NE Tank Battery, effective November 9, 2011, through March 9, 2012 (Flare Permit No. 10827).
5. Diamondback received authority to flare from the Big Max 25 NE Tank Battery, in Final Order No. 08-0275332 effective March 9, 2012, through December 28, 2015.

6. On December 3, 2015, Diamondback submitted its written request for a hearing on the Subject Application.
7. The necessity for flaring casinghead gas from the Big Max is due to the lack of capacity at the nearest pipeline and it is currently uneconomic to construct a pipeline.
8. 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 350 MCFPD casinghead gas derived from the Sprayberry (Trend Area) Field at its Big Max 25 NE Tank Battery, Andrews County, Texas for a period of two years from December 29, 2015 through December 28, 2017.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Jennifer Cook
Administrative Law Judge