



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0301395

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE FERGUSON TANK BATTERY, TEX-MEX, SE (WICHITA ALBANY) FIELD, GAINES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0301396

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE PHILLIPS UNIVERSITY P TANK BATTERY, MARTIN (CONS.) FUHRMAN-MASCHO FIELD, ANDREWS COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0301397

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE UNIVERSITY 17-24 TANK BATTERY, CAPRITO (DEL MIDDLE) FIELD, WARD COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0301398

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE WHGU TANK BATTERY, HOWARD GLASSCOCK (CONSOLIDATED) FIELD, GLASSCOCK COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0301399

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE JOHNSON, 22S TANK BATTERY AND JOHNSON, WD 34N TANK BATTERY, DIMMIT (DEL CONS) AND DIMMIT (DELAWARE) FIELDS, LOVING COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0301408

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR VARIOUS TANK BATTERIES, GOLDSMITH, GOLDSMITH (CLEAR FORK) AND GOLDSMITH (PENN) FIELDS, ECTOR COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0301409

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY, LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR VARIOUS TANK BATTERIES, VARIOUS FIELDS IN ECTOR COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: October 10, 2016
CONFERENCE DATE: December 6, 2016

APPEARANCES:

APPLICANT:
Richard Atkins, P.E.

REPRESENTING:

Sheridan Production Company, LLC

EXAMINERS' REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

Sheridan Production Company, LLC ("Sheridan") requests a two-year exception to Statewide Rule 32 to flare gas in times of emergency for 14 separate flare points at 14 different tank batteries. For each application, notice was provided to all operators adjacent to each flare point/tank battery. The applications are unopposed, and the Technical Examiner and the Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide 32 to flare gas for each of the subject flare points/tank batteries as requested by Sheridan.

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(j) states that an operator may request a hearing on any application for an exception or exception renewal required by this section. On August 4, 2016, the Commission received a hearing request from Sheridan for a two-year exception to Statewide Rule 32 for each of the subject tank batteries.

The infrastructure is in place to sell gas from all leases in each of the applications with the exception of the WHGU Lease. The Form H-9 shows the hydrogen sulfide (H₂S) concentration of the gas produced on the WHGU Lease is 360,000 ppm. There is no gas purchaser in the vicinity of the WHGU Lease to handle the high concentration of

sour gas produced from wells completed on the WHGU Lease. Sheridan has received Commission approval to re-inject the sour gas produced on the WHGU Lease back into the producing formation. The need to flare gas on an intermittent basis for the WHGU Tank Battery arises from down time and equipment problems associated with re-injecting the gas. Sheridan is requesting to flare a maximum gas volume of 101 MCF per day for the WHGU Tank Battery on an intermittent basis at times when they are unable to re-inject all daily gas produced over the next two years.

Sheridan is requesting to flare gas on an intermittent basis at times when they are unable to sell all daily gas produced over the next two years for all other tank batteries listed in Table 1. The requested flare volumes for each of the tank batteries are summarized in Table 1. The leases associated with each tank battery are listed in Appendix A. Sheridan prefers to sell all gas produced, as any gas flared is lost revenue. However, due to an increase in development in area, Sheridan is not able to sell all the gas all of the time due to high pipeline pressure, equipment failure, plant shut-downs, and compressor downtime. Sheridan believes the pipeline issues may be resolved in approximately two years.

Table 1: Tank Battery Summary

Oil and Gas Docket No.	Flare Point	Tank Battery	RRC ID	Field	County	Flare Volume (Mcf/d)	H ₂ S (ppm)
08-0301408	#1	CVX 6	Commingling Permit No. 6020	Goldsmith (Clear Fork) and Goldsmith	Ector	1,761	30,000
08-0301409	#2	CVX 6B	Lease No. 40581	Goldsmith (Clear Fork)	Ector	703	20,000
08-0301408	#3	Douglass Parker	Lease No. 39882	Goldsmith (Clear Fork)	Ector	280	30,000
08-0301395	#4	Ferguson	Commingling Permit No. 5385	Tex-Mex, SE. (Wichita Albany)	Gaines	2,162	20,000
08-0301408	#5	Goldsmith Adobe Unit	Commingling Permit No. 6681	Goldsmith (Clear Fork)	Ector	1,039	15,000
08-0301399	#6	Johnson, WD 22S	Commingling Permit No. 4363	Dimmitt (Delaware Cons)	Loving	744	10,000
08-0301409	#7	Parker Minerals 4	Commingling Permit No. 6324	Goldsmith, Harper, Goldsmith (Clear Fork), Monahans Draw (Canyon 8388)	Ector	962	30,000
08-0301408	#8	Parker Minerals 7	Commingling Permit No. 5957	Goldsmith (Clear Fork)	Ector	943	44,635
08-0301409	#9	Parker Minerals 8	Commingling Permit No. 6150	Goldsmith, Goldsmith (Clear Fork), Monahans Draw (Canyon 8388)	Ector	323	30,000

08-0301396	#10	Phillips University P	Commingling Permit No. 2194	Martin (Consolidated), Fuhrman-Mascho	Andrews	1,750	20,000
08-0301408	#11	Steakley	Lease No. 38087	Goldsmith (Clear Fork)	Ector	332	30,000
08-0301397	#12	University 17-24	Commingling Permit No. 6624	Caprito (Delaware Middle)	Ward	4,395	2,000
08-0301398	#13	WHGU	Lease No. 41062	Howard Glasscock (Consolidated)	Glasscock	101	360,000
08-0301399	#14	Johnson, WD 34N	Lease No. 38195	Dimmitt (Delaware Cons)	Loving	582	10,000

FINDINGS OF FACT

1. Proper notice of this hearing was provided to all operators adjacent to each flare point for each application at least ten days prior to the date of hearing. There were no protests to the applications.
2. The infrastructure is in place for Sheridan to sell gas from all leases connected to the CVX 6 Tank Battery (Commingling Permit No. 6020).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 1,761 MCF of gas per day when all gas cannot be sold.
 - d. The request to flare gas for the CVX 6 Tank Battery is on an intermittent basis over a two-year period.
3. The infrastructure is in place for Sheridan to sell gas from the CVX 6B Lease (Lease ID No. 40581) connected to the CVX 6B Tank Battery.
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 703 MCF of gas per day when all gas cannot be sold.

- d. The request to flare gas for the CVX 6B Tank Battery is on an intermittent basis over a two-year period.
4. The infrastructure is in place for Sheridan to sell gas from the Douglass Parker Lease (Lease ID No. 39882), which is connected to the Douglass Parker Tank Battery.
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 280 MCF of gas per day for the Douglass Parker Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Douglass Parker Tank Battery is on an intermittent basis over a two-year period.
5. The infrastructure is in place for Sheridan to sell gas from all leases connected to the Ferguson Tank Battery (Commingling Permit No. 5385).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 2,162 MCF of gas per day for the Ferguson Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Ferguson Tank Battery is on an intermittent basis over a two-year period.
6. The infrastructure is in place for Sheridan to sell gas from all leases connected to the Goldsmith Adobe Unit Tank Battery (Commingling Permit No. 6681).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 1,039 MCF of gas per day for the Goldsmith Adobe Unit Tank Battery when all gas cannot be sold.

- d. The request to flare gas for the Goldsmith Adobe Unit Tank Battery is on an intermittent basis over a two-year period.
7. The infrastructure is in place for Sheridan to sell gas from all leases connected to the Johnson, WD 22S Tank Battery (Commingling Permit No. 4363).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 744 MCF of gas per day for the Johnson, WD 22S Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Johnson, WD 22S Tank Battery is on an intermittent basis over a two-year period.
8. The infrastructure is in place for Sheridan to sell gas from all leases connected to the Parker Minerals 4 Tank Battery (Commingling Permit No. 6324).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 962 MCF of gas per day for the Parker Minerals 4 Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Parker Minerals 4 Tank Battery is on an intermittent basis over a two-year period.
9. The infrastructure is in place for Sheridan to sell gas from all leases connected to the Parker Minerals 7 Tank Battery (Commingling Permit No. 5957).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.

- c. Sheridan is requesting to flare a maximum volume of 943 MCF of gas per day for the Parker Minerals 7 Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Parker Minerals 7 Tank Battery is on an intermittent basis over a two-year period.
- 10. The infrastructure is in place for Sheridan to sell gas from all leases connected to the Parker Minerals 8 Tank Battery (Commingling Permit No. 6150).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 323 MCF of gas per day for the Parker Minerals 8 Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Parker Minerals 8 Tank Battery is on an intermittent basis over a two-year period.
- 11. The infrastructure is in place for Sheridan to sell gas from all leases connected to the Phillips University P Tank Battery (Commingling Permit No. 2194).
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 1,750 MCF of gas per day for the Phillips University P Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Phillips University P Tank Battery is on an intermittent basis over a two-year period.
- 12. The infrastructure is in place for Sheridan to sell gas from the Steakley Lease (Lease ID No. 38087), which is connected to the Steakley Tank Battery.
 - a. Sheridan prefers to sell all gas produced.

- b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 332 MCF of gas per day for the Steakley Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Steakley Tank Battery is on an intermittent basis over a two-year period.
13. The infrastructure is in place for Sheridan to sell gas from all leases connected to the University 17-24 Tank Battery (Commingling Permit No. 6624).
- a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 4,395 MCF of gas per day for the University 17-24 Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the University 17-24 Tank Battery is on an intermittent basis over a two-year period.
14. The WHGU Lease (Lease ID No. 41062) is connected to the WHGU Tank Battery.
- a. The Form H-9 shows the hydrogen sulfide (H₂S) concentration of the gas produced on the WHGU Lease is 360,000 ppm.
 - b. There is no gas purchaser in the vicinity of the WHGU Lease to handle the high concentration of sour gas produced from wells completed on the lease.
 - c. Sheridan has received Commission approval to re-inject the sour gas produced on the WHGU Lease back into the producing formation.
 - d. The need to flare gas on an intermittent basis for the WHGU Tank Battery arises from down time and equipment problems associated with re-injecting the gas.
 - e. Sheridan is requesting to flare a maximum gas volume of 101 MCF per day for the WHGU Tank Battery on an intermittent basis at times when they are unable to re-inject all daily gas produced over the next two years.

15. The infrastructure is in place for Sheridan to sell gas from the Johnson, WD 34N Lease, (Lease ID No. 38195), which is connected to the Johnson, WD 34N Tank Battery.
 - a. Sheridan prefers to sell all gas produced.
 - b. Equipment failure, plant shut-downs, and high gathering line pressure may result in gas being sent to the flare stack at the tank battery.
 - c. Sheridan is requesting to flare a maximum volume of 582 MCF of gas per day for the Johnson, WD 34N Tank Battery when all gas cannot be sold.
 - d. The request to flare gas for the Johnson, WD 34N Tank Battery is on an intermittent basis over a two-year period.

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. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.

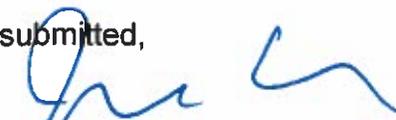
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the request by Sheridan for an exception to Statewide Rule 32 for the CVX 6 Tank Battery, CVX 6B Tank Battery, Douglass Parker Tank Battery, Ferguson Tank Battery, Goldsmith Adobe Unit Tank Battery, Johnson, WD 22S Tank Battery, Parker Minerals 4 Tank Battery, Parker Minerals 7 Tank Battery, Parker Minerals 8 Tank Battery, Phillips University P Tank Battery, Steakley Tank Battery, University 17-24 Tank Battery, WHGU Tank Battery, and the Johnson, WD 34N Tank Battery.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Jennifer Cook
Administrative Law Judge

APPENDIX A

Flare Point #1 CVX 6 Tank Battery Commingle Permit No. 6020	Lease Name	RRC ID	Daily Vol.
	CVX 6	39029	1,120
	CVX 1	39030	282
	CVX 43	39072	276
	CVX 1	39603	19
	CVX 1B	41361	14
	CVX 43	39705	50
	TOTAL		1,761
Flare Point #2 CVX 6B Tank Battery Commingle Permit No. N/A	Lease Name	RRC ID	Daily Vol.
	CVX 6B	40581	703
	TOTAL		703
Flare Point #3 Douglass Parker Tank Battery Commingle Permit No. N/A	Lease Name	RRC ID	Daily Vol.
	Douglass Parker	39882	280
	TOTAL		280
Flare Point #4 Ferguson Tank Battery Commingle Permit No. 5385	Lease Name	RRC ID	Daily Vol.
	Ferguson	69961	1,598
	Roach Heirs	70160	81
	Ferguson Unit A	70278	240
	Ferguson Unit B	70243	243
	TOTAL		2,162
Flare Point #5 Goldsmith Adobe Unit Tank Battery Commingle Permit No. 6681	Lease Name	RRC ID	Daily Vol.
	Goldsmith Adobe Unit	37943	814
	Vee Bar 12	43645	225
	TOTAL		1,039
Flare Point #6 Johnson, WD 22S Tank Battery Commingle Permit No.	Lease Name	RRC ID	Daily Vol.

4363

	RRC ID	Daily Vol.
Johnson, W. D. -22S-	38203	700
Abernathy, J. Logan B	38221	44
TOTAL		744

Flare Point #7

**Parker Minerals 4 Tank
Battery
Commingle Permit No.
6324**

Lease Name	RRC ID	Daily Vol.
Parker Minerals 4	44856	821
Parker Minerals 4	40301	108
Parker Minerals 4	40857	11
Parker Minerals 9A	40916	12
Parker Minerals 9	41756	10
TOTAL		962

Flare Point #8

**Parker Minerals 7 Tank
Battery
Commingle Permit No.
5957**

Lease Name	RRC ID	Daily Vol.
Parker Minerals 7	38624	686
Parker Minerals 11	38625	257
TOTAL		943

Flare Point #9

**Parker Minerals 8 Tank
Battery
Commingle Permit No.
6150**

Lease Name	RRC ID	Daily Vol.
Parker Minerals 8	39028	226
Parker Minerals 8	40314	83
Parker Minerals 8	41606	14
TOTAL		323

Flare Point #10

**Phillips University P Tank
Battery
Commingle Permit No.
2194**

Lease Name	RRC ID	Daily Vol.
Phillips University "P"	219754	70
Phillips University "P"	37209	708
Phillips University -O-	36486	939
Phillips University O	37635	32
TOTAL		1,750

Flare Point #11

**Steakley Tank Battery
Commingle Permit No.
N/A**

Lease Name	RRC ID	Daily Vol.
Steakley 44	38087	332

		TOTAL	332
Flare Point #12	Lease Name	RRC ID	Daily Vol.
University 17-24 Battery			
Commingle Permit No.			
6624			
	University 17-24	41529	1,204
	University 17-18	41896	1,057
	University 17-17	42145	1,797
	University 17-23	40644	337
	TOTAL		4,395
Flare Point #13	Lease Name	RRC ID	Daily Vol.
WHGU Tank Battery			
Commingle Permit No.			
N/A			
	Glasscock, Howard W. (G-S) Unit	41062	101
	TOTAL		101
Flare Point #14	Lease Name	RRC ID	Daily Vol.
Johnson, WD 34N Tank			
Battery			
Commingle Permit No.			
N/A			
	Johnson, W. D. 34N	38195	582
	TOTAL		582