

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0309277

APPLICATION OF DIAMONDBACK E&P LLC FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.32 FOR THE ROGERS 6 UNIT BATTERY (LEASE ID NO. 08-46781), PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: April 13, 2018

CONFERENCE DATE: June 5, 2018

APPEARANCES: REPRESENTING:

APPLICANT:

Jamie Nielson
Arica Gonzales
Josh Woods

Diamondback E&P LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Diamondback E&P LLC ("Diamondback") (No. 217012) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from the Rogers 6 Unit Battery, Phantom (Wolfcamp) Field, Reeves County, Texas. Diamondback was authorized through Commission Permit No. 29379 to flare gas associated with the Rogers 6 Unit Battery for a period of 150 days expiring on November 30, 2017. Diamondback is seeking authorization through a Final Order from the Commission for a two-year period to flare up to 500 thousand cubic feet per day ("MCFPD") of casinghead gas from April 13, 2018 through April 12, 2020.

Diamondback is currently selling produced gas through a natural gas pipeline connection but is seeking flaring authorization to address non-routine operational upsets and sales pipeline capacity limitations and high-pressure conditions. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Rogers 6 Unit Battery.

The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend approval of the exception to Statewide Rule 32 for the Rogers 6 Unit Battery flare point, as requested by Diamondback.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission ("RRC"). Specifically, Statewide Rule 32(j), *Opportunity for Hearing*, states that an operator may request a hearing on any application for an exception or exception renewal required by this section.

The Rogers 6 Unit Battery previously received administratively-approved flaring authority that expired November 30, 2017. Diamondback was granted an administrative exception to Rule 32 under RRC Flare Permit No. 29379 for a total of 150 days. Details follow:

- Diamondback was granted an administrative exception to Rule 32, effective 30 days from January 1, 2017 through January 30, 2017, in RRC Flare Permit No. 29379. Authorized to flare 339 MCFPD.
- Diamondback was granted an administrative exception to Rule 32, effective 28 days from February 1, 2017 through February 28, 2017, in RRC Flare Permit No. 29379. Authorized to flare 70 MCFPD.
- Diamondback was granted an administrative exception to Rule 32, effective 25 days from May 5, 2017 through May 29, 2017, in RRC Flare Permit No. 29379. Authorized to flare 200 MCFPD.
- Diamondback was granted an administrative exception to Rule 32, effective 30 days from June 30, 2017 through July 30, 2017, in RRC Flare Permit No. 29379. Authorized to flare 200 MCFPD.
- Diamondback was granted an administrative exception to Rule 32, effective 37 days from August 1, 2017 through November 30, 2017, in RRC Flare Permit No. 29379. Authorized to flare 744 MCFPD.

Testimony at the hearing established that casinghead gas produced from the Rogers 6 Unit Battery is sold via a sales pipeline, but non-routine operational upsets and sales pipeline capacity limitations and high-pressure conditions have caused Diamondback to periodically flare casinghead gas. Production records from September 2017 through February 2018 indicate about 21 percent of the produced casinghead gas has been flared because of sales pipeline upset and pipeline high pressure conditions.

On February 1, 2018, Diamondback requested a hearing to extend the flaring authority under Statewide Rule 32 to flare casinghead gas from a flare point associated with the Rogers 6 Unit Battery. A Notice of Hearing was issued by the Commission on March 9, 2018 to adjacent operators. A hearing was held on April 13, 2018.

Diamondback is seeking authority to flare from the Rogers 6 Unit Battery, Flare Point to flare up to 500 thousand cubic feet of casinghead gas per day from April 13, 2018 through April 12, 2020.

The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Rogers 6 Unit Battery. The Examiners recommend the exception be granted.

Diamondback agreed on the record, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order for this case shall be final and effective on the date a Master Order relating to the Final Order is signed.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. Diamondback E&P LLC (No. 217012) seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from the Rogers 6 Unit Battery, Phantom (Wolfcamp) Field, Reeves County, Texas.
3. The hearing established that casinghead gas produced from the Rogers 6 Unit Battery is sold via a sales pipeline, but non-routine operational upsets and sales pipeline capacity limitations have caused Diamondback to flare casinghead gas.
4. Production records from September 2017 through February 2018 indicate about 21 percent of the produced casinghead gas has been flared because of sales pipeline upset and pipeline high pressure conditions.
5. The Rogers 6 Unit Battery previously received administratively-approved flaring authority that expired November 30, 2017. Diamondback was granted an administrative exception to Rule 32 under RRC Flare Permit No. 29379 for a total of 150 days. Details follow:
 - Diamondback was granted an administrative exception to Rule 32, effective 30 days from January 1, 2017 through January 30, 2017, in RRC Flare Permit No. 29379. Authorized to flare 339 MCFPD.
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 - Diamondback was granted an administrative exception to Rule 32, effective 37 days from August 1, 2017 through November 30, 2017, in RRC Flare Permit No. 29379. Authorized to flare 744 MCFPD.
6. On February 1, 2018, the Commission received a request for hearing for a Statewide Rule 32 exception extension for the Rogers 6 Unit Battery. The Notice of Hearing was issued to the Docket Service List on March 9, 2018.

7. The hearing was held on April 13, 2018. Diamondback is seeking authorization through a Final Order from the Commission for a two-year period to flare up to 500 thousand cubic feet per day ("MCFPD") of casinghead gas from April 13, 2018 through April 12, 2020.
8. Diamondback agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order for this case shall be final and effective on the date a Master Order relating to the Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. The Commission has jurisdiction in this case. See, e.g., TEX. NAT. RES. CODE § 81.051.
3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order is final and effective when a Master Order relating to the Final Order is signed.

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 flare point at the Rogers 6 Unit Battery to flare up to 500 thousand cubic feet of casinghead gas per day from April 13, 2018 through April 12, 2020.

Respectfully submitted,



Robert Musick, P.G.
Technical Examiner



Jennifer N. Cook
Administrative Law Judge