



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 03-0303934

**THE APPLICATION OF LONESTAR OPERATING, LLC FOR AN EXCEPTION
TO STATEWIDE RULE 32 FOR THE SALUD UNIT, WELL NO. 1, CYPRESS
LANDING (EAGLE FORD) FIELD, FAYETTE COUNTY, TEXAS**

HEARD BY: Paul Dubois – Technical Examiner
Jennifer L. Cook – Administrative Law Judge

HEARING DATE: September 28, 2017

CONFERENCE DATE: November 7, 2017

APPEARANCES:

APPLICANT:

Paul Tough
John McBeath

REPRESENTING:

Lonestar Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lonestar Operating, LLC ("Lonestar") seeks an exception to 16 Tex. Admin. Code §3.32 (Statewide Rule 32) for the Salud Unit, Well No. 1, in the Cypress Landing (Eagle Ford) Field, Fayette County, Texas. Lonestar seeks authority to flare up to 200 thousand cubic feet ("mcf") of casinghead gas per day for a period of two years. Lonestar provided evidence that the cost to construct pipeline facilities to bring the gas to market is uneconomical. Absent authority to flare the casinghead gas, Lonestar argued it would have to shut in the well and forego production of liquid hydrocarbons, causing waste. The application was not protested. The technical Examiner and Administrative Law Judge ("Examiners") recommend the exception be granted.

Generally, Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Lonestar 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 Lonestar requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address Lonestar'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. The Salud Unit (Lease No. 26869) Well No. 1 (API 42-149-33374) was originally drilled by SN Operating LLC.
3. The well was completed in the Cypress Landing (Eagle Ford) Field on November 5, 2014.
4. The well is located six miles west of Schulenburg on the north side of Interstate Highway 10.
5. On initial potential testing the well produced 185 barrels of oil and 374 mcf gas for a gas-oil ratio of 2,021 standard cubic feet per barrel of oil.
6. SN Operating LLC obtained administrative exceptions (Nos. 19603 and 20531) to flare gas from the well from October 27, 2014 to July 29, 2015.
7. By Commission Final Order (Oil & Gas Docket No. 01-0296821, issued on August 25, 2015) SN Operating obtained an exception to flare gas for a period of two years, from July 29, 2015 through July 29, 2017.
8. In June 2017 Lonestar became the operator of the well.
9. On June 28, 2017, Lonestar requested a hearing to obtain continued authority to flare gas from the well.
10. The nearest pipeline is 18,287 feet to the west-northwest of the wellhead surface facility.

11. The cost to build a pipeline to the nearest sales point would result in an operating loss of \$410,000.
12. An exception to flare gas from the well will allow Lonestar to continue to produce hydrocarbon liquids from the well.
13. Lonestar requests a two-year exception to flare up to 200 mcf casinghead gas per day from the well.
14. 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 November 7, 2017.

EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the application of Lonestar Operating, LLC for an exception to Statewide Rule 32 for the Salud Unit, Well No. 1, in the Cypress Landing (Eagle Ford) Field, Fayette County, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer L. Cook
Administrative Law Judge