



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET No. 03-0310067

APPLICATION OF ARMOR LONESTAR, LLC (031580) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PEDRO VEGA UNIT (26658), AND THE JAEGER UNIT (26557) SOUTHERN BAY (EAGLE FORD) FIELD, LEE COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: June 11, 2018
CONFERENCE DATE: August 21, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT:

James M. Clark, P.E. Armor Lonestar, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Armor Lonestar, LLC ("Armor") requests an exception to Statewide Rule 32 for the Pedro Vega Unit and the Jaeger Unit, Southern Bay (Eagle Ford) Field in Lee County, Texas. There are no offset operators to either lease other than the Applicant. The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

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) 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 Commission received a hearing request for a Statewide Rule 32 exception renewal for the subject leases on March 15, 2018 to consider a two-year extension of the current flare

permits. Armor was granted Permit No. 33216 for the Pedro Vega Unit to flare a maximum of 250 Mcfd of casinghead gas, effective January 9, 2018, expiring April 9, 2018 and Permit No. 33241 for the Jaeger Unit to flare a maximum of 110 Mcfd of casinghead gas, effective January 27 2018, expiring April 27, 2018.

Armor Lonestar, LLC (Armor) requests an exception to Statewide Rule 32 for the Pedro Vega Unit and the Jaeger Unit, Southern Bay (Eagle Ford) Field in Lee County, Texas. Armor is requesting authority to flare a maximum of 200 Mcfd Pedro Vega Unit and 150 Mcfd from Jaeger Unit, each for a period of two years from the date of the previous exception to Statewide Rule 32.

Armor's Pedro Vega Unit is presently developed with two wells, both of which commenced production in December 2017. Armor's Jaeger Unit is presently developed with two wells, both of which commenced production in January 2018. The wells on the subject leases produce sweet casinghead gas. To sell the gas from the Pedro Vega Unit, a 3.28-mile flowline to DCP would have to be installed at a capital cost of approximately \$\$1,557,771. To sell the gas from the Jaeger Unit, a 3.23-mile flowline to DCP would have to be installed at a capital cost of approximately \$1,558,291. Neither of these options are economic based on the estimated remaining casinghead reserves from the two units. Armor seeks authorization to flare 200 Mcfd from the Pedro Vega Unit from April 10, 2018 to April 10, 2020. Armor Lonestar seeks authorization to flare 150 Mcfd from the Jaeger Unit from April 28, 2018 to April 10, 2020.

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

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. The application is unopposed.
2. The Commission received a hearing request for a Statewide Rule 32 exception renewal for the Pedro Vega Unit and the Jaeger Unit on March 15, 2018 to consider a two-year extension of the current flare permits.
3. Armor was granted Permit No. 33216 for the Pedro Vega Unit to flare a maximum of 250 Mcfd of casinghead gas, effective January 9, 2018, expiring April 9, 2018 and Permit No. 33241 for the Jaeger Unit to flare a maximum of 110 Mcfd of casinghead gas, effective January 27, 2018, expiring April 27, 2018.
4. Armor Lonestar, LLC (Armor) requests an exception to Statewide Rule 32 for the Pedro Vega Unit and the Jaeger Unit, Southern Bay (Eagle Ford) Field in Lee County, Texas. Armor is requesting authority to flare a maximum of 200 Mcfd Pedro Vega Unit and 150 Mcfd from Jaeger Unit,

each for a period of two years from the date of the previous exception to Statewide Rule 32.

- a. Armor's Pedro Vega Unit is presently developed with two wells, both of which commenced production in December 2017. Armor's Jaeger Unit is presently developed with two wells, both of which commenced production in January 2018. The wells on the subject leases produce sweet casinghead gas.
 - i) To sell the gas from the Pedro Vega Unit, a 3.28-mile flowline to DCP would have to be installed at a capital cost of approximately \$\$1,557,771.
 - ii) To sell the gas from the Jaeger Unit, a 3.23-mile flowline to DCP would have to be installed at a capital cost of approximately \$1,558,291.
 - iii) Neither of these options are economic based on the estimated remaining casinghead reserves from the two units.
 - b. Armor seeks authorization to flare 200 Mcfd from the Pedro Vega Unit from April 10, 2018 to April 10, 2020. Armor Lonestar seeks authorization to flare 150 Mcfd from the Jaeger Unit from April 28, 2018 to April 10, 2020.
5. For the application, Armor agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Orders shall be final and effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. 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.
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 this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant Statewide Rule 32 exception renewals, authorizing Armor to flare a maximum of 200 Mcf of casinghead gas per day for the Pedro Vega Unit, effective April 10, 2018 to April 10, 2020, and a maximum of 150 Mcf of casinghead gas per day for the Jaeger Unit, effective April 28, 2018 to April 10, 2020.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Lynn Latombe
Administrative Law Judge