



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0316770

APPLICATION OF JAGGED PEAK ENERGY, LLC (429574) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES IN THE PHANTOM (WOLFCAMP) FIELD AND TWO GEORGES (BONE SPRING) AND, WARD, LOVING, PECOS, WINKLER AND REEVES COUNTY, TEXAS

HEARD BY: John L. Moore – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

HEARING DATE: February 13, 2019

RECORD CLOSED: March 29, 2019

CONFERENCE DATE: April 23, 2019

APPEARANCES:

Mickey R. Olmstead, Attorney
Nathan Leonard, V.P. Operations

REPRESENTING:

Jagged Peak Energy, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Jagged Peak Energy, LLC (429574) ("JPE") seeks a two-year Statewide Rule ("SWR") 32 exception authority for each of seventeen (17) leases to flare casinghead gas (see Attachment A) producing from the Phantom (Wolfcamp) and the Two Georges (Bone Spring) Field, Pecos, Loving, Reeves, Ward, and Winkler Counties, Texas. JPE was granted administrative SWR 32 exception authority for each of the leases (see Attachment B). Having exhausted its administrative recourse, JPE now comes before the Commission requesting consideration of two-year SWR 32 exception authority for the leases. Occasionally, there is high line pressure in the gas gathering system operated by Targa Resources, resulting in approximately 10.8% of casinghead gas production from the leases being flared. The flaring exception authorization is a measure to ensure legal disposition of all gas produced from the leases. JPE submitted its SWR 32 exception authority request for hearing on November 30, 2018, after the expiration of the respective

administrative flaring permits. JPE agreed it would not consider it adverse if the exception authority in the Final Order commenced on the date of their hearing request. Following the hearing, letters were sent to the service list adding Ward, Loving, Pecos, and Winkler Counties and the Two Georges (Bone Spring) Field to the application. There was no response to the letters and the application is unopposed. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

DISCUSSION OF THE EVIDENCE

SWR 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, SWR 32(h) provides that an exception to flare natural gas in volumes greater than 50 thousand cubic feet per day ("Mcf/d") may be granted administratively for a period up to 180 days. SWR 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. Beyond that, SWR 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

JPE seeks two-year SWR 32 exception authority for each of the seventeen (17) leases to flare casinghead gas (see Attachment A) producing from the Phantom (Wolfcamp) and the Two Georges (Bone Spring) Field, Pecos, Reeves, Ward, and Winkler Counties, Texas (see Attachment A).

JPE was granted a administrative SWR 32 exception authority for each of the seventeen (17) leases (see Attachment B).

The gas from the leases is gathered and transported by Targa Resources. Occasionally, there is high line pressure in the gas gathering system resulting in approximately 10.8% of casinghead gas production being flared. JPE has been in discussions with Targa Resources over the last two years, but without resolution to the gas gathering capacity issues. The flaring exception authorization is a measure to ensure legal disposition of all gas produced from the leases. JPE submitted its SWR 32 exception authority request for hearing on November 30, 2018, after the expiration of the respective administrative flaring permits.

JPE agreed it would not consider it adverse if the exception authority in the Final Order commenced on the date of their hearing request. Following the hearing, letters were sent to the service list adding Ward, Loving, Pecos, and Winkler Counties and the Two Georges (Bone Spring) Field to the application. There was no response to the letters and the application is unopposed.

JPE agreed on the record that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order 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 hearing was provided to all offset operators and no protests were received.
2. JPE was granted administrative SWR Rule 32 exception authority for each of the seventeen (17) leases. (see Attachment B).
3. JPE seeks two-year SWR 32 exception authority for each of the seventeen (17) leases to flare casinghead gas (see Attachment A) producing from the Phantom (Wolfcamp) and the Two Georges (Bone Spring) Field, Pecos, Reeves, Ward, and Winkler Counties, Texas (see Attachment A).
4. The gas from the leases is gathered and transported by Targa Resources. Occasionally, there is high line pressure in the gas gathering system resulting in approximately 10.8% of casinghead gas production being flared.
5. JPE submitted its SWR 32 exception authority request for hearing on November 30, 2018, after the expiration of each of the respective administrative flaring permits.
6. JPE has been in discussions with Targa Resources over the last two years, but without resolution to the gas gathering capacity issues.
7. Continued Commission authority to flare gas from the Lease will allow JPE to produce hydrocarbon liquids and gas and thereby reduce waste and harm to the producing reservoir.
8. The Commission's SWR 32 exception authority to flare gas is a measure to ensure legal disposition of all casinghead gas from each of the seventeen (17) leases.
9. In the hearing, JPE agreed on the record that the Final Order in this docket, if not adverse can be effective when the Master Order is signed.

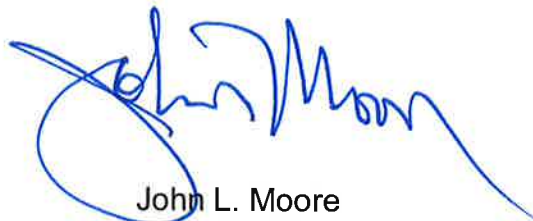
CONCLUSIONS OF LAW

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 SWR 32 exception authority.
4. JPE on the record agreed that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order can be final and effective on the date 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 Jagged Peak Energy, LLC (429574) request for two-year Statewide Rule 32 exception authority to flare casinghead gas from November 30, 2018 to November 30, 2020, produced from the seventeen (17) leases in the Phantom (Wolfcamp) and the Two Georges (Bone Spring) Fields, Pecos, Loving, Reeves, Ward, and Winkler Counties, Texas, as depicted on Attachment A.

Respectfully submitted,



John L. Moore
Technical Examiner



Jennifer N. Cook
Administrative Law Judge

ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Flare Point Name	Permit Start Date (1)	Permit End Date	Proposed Maximum Flare Volume (Mcf/d)	Casing head Gas or Gas Well Gas	Field
30876	N/A	State Eiland Unit 9-33 CTB	November 30, 2018	November 30, 2020	400	Casing head Gas	Phantom (Wolfcamp)
36395	7860	State Neal Lethco 'A' 3427-142 CTB	November 30, 2018	November 30, 2020	550	Casing head Gas	Phantom (Wolfcamp)
35371	8707	Skinwalker 2-8 CTB	November 30, 2018	November 30, 2020	500	Casing head Gas	Phantom (Wolfcamp)
35366	7862	Cilantro 2524-C3 CTB	November 30, 2018	November 30, 2020	350	Casing head Gas	Phantom (Wolfcamp)
35874	8089	Eiland 0812A- GG Houston CTB	November 30, 2018	November 30, 2020	400	Casing head Gas	Phantom (Wolfcamp)
35373	7862	Legacy 2623B-C3	November 30, 2018	November 30, 2020	620	Casing head Gas	Phantom (Wolfcamp)
33152	8497	State B&B Sisters 0833A-143 2.0 CTB	November 30, 2018	November 30, 2020	600	Casing head Gas	Phantom (Wolfcamp)
36391	7861	State Neal Lethco 3405-142 CTB	November 30, 2018	November 30, 2020	1000	Casing head Gas	Phantom (Wolfcamp)
36393	7860	State Neal Lethco 3427-142 CTB	November 30, 2018	November 30, 2020	1085	Casinghead Gas	Phantom (Wolfcamp)

34889	N/A	UTL 38-17 CTB	November 30, 2018	November 30, 2020	110	Casinghead Gas	Two Georges (Bone Spring)
Permit No.	Commingle Permit No. (If Applicable)	Flare Point Name	Permit Start Date (1)	Permit End Date	Proposed Maximum Flare Volume (Mcf/d)	Casing head Gas or Gas Well Gas	Field
35368	N/A	UTL 4344- 21 1H CTB	November 30, 2018	November 30, 2020	600	Casinghead Gas	Phantom (Wolfcamp)
36392	8592	Whiskey River 0927B-7 CTB	November 30, 2018	November 30, 2020	200	Casinghead Gas	Phantom (Wolfcamp)
34306	8090	State Eiland Unit 7-33 CTB	November 30, 2018	November 30, 2020	450	Casinghead Gas	Phantom (Wolfcamp)
35873	7875	State Ronald 4-J McDonald CTB	November 30, 2018	November 30, 2020	375	Casinghead Gas	Phantom (Wolfcamp)
38393	7861	State Neal Lethco 3405A-142 CTB	November 30, 2018	November 30, 2020	800	Casinghead Gas	Phantom (Wolfcamp)
35374	7871	WHISKEY RIVER 3-8 CTB	November 30, 2018	November 30, 2020	300	Casinghead Gas	Phantom (Wolfcamp)
34314	8305	Legacy 2623A-C3 CTB	November 30, 2018	November 30, 2020	300	Casinghead Gas	Phantom (Wolfcamp)

Note: Mcfd = Thousand Cubic Feet Per Day

ATTACHMENT B – ALL PREVIOUSLY APPROVED FLARE EXCEPTION AUTHORITY

Previous Flare Exception Permit No.	Commingled Permit No. (if applicable)	Flare Point Name	Previous Exception Authority Type (Admin. or Final Order No.)	Previous Permit End Date	Previous Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas	Field
35872	N/A	State Eiland Unit 9-33 CTB	Admin.	5/31/2018	736	Casing head Gas	Phantom (Wolfcamp)
36395	7860	State Neal Lethco 'A' 3427-142 CTB	Admin.	7/31/2018	522	Casing head Gas	Phantom (Wolfcamp)
35371	8707	Skinwalker 2-8 CTB	Admin.	5/31/2018	491	Casing head Gas	Phantom (Wolfcamp)
38390	7862	Cilantro 2524-C3 CTB	Admin.	8/31/2018	323	Casing head Gas	Phantom (Wolfcamp)
35874	8089	Eiland 0812A- GG Houston CTB	Admin.	6/30/2018	366	Casing head Gas	Phantom (Wolfcamp)
38394	7862	Cilantro 2524-C3 CTB	Admin.	8/31/2018	640	Casing head Gas	Phantom (Wolfcamp)
33152	8497	State B&B Sisters 0833A-143 2.0 CTB	Admin.	11/30/2017	540	Casing head Gas	Phantom (Wolfcamp)

ATTACHMENT B (continued)

Previous Flare Exception Permit No.	Commingle Permit No. (if applicable)	Flare Point Name	Previous Exception Authority Type (Admin. or Final Order No.)	Previous Permit End Date	Previous Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas	Field
36391	7861	State Neal Lethco 3405-142 CTB	Admin.	7/31/2018	861	Casing head Gas	Phantom (Wolfcamp)
36393	7860	State Neal Lethco 3427-142 CTB	Admin.	7/31/2018	1071	Casing head Gas	Phantom (Wolfcamp)
34889	N/A	UTL 38-17 CTB	Admin.	4/30/2018	101	Casing head Gas	Two Georges (Bone Springs)
35368	N/A	UTL 4344-21 1H CTB	Admin.	5/31/2018	583	Casing head Gas	Phantom (Wolfcamp)
36392	8592	Whiskey River 0927B-7 CTB	Admin.	5/31/2018	184	Casing head Gas	Phantom (Wolfcamp)
34306	8090	State Eiland Unit 7-33 CTB	Admin.	3/31/2018	421	Casing head Gas	Phantom (Wolfcamp)
35873	7875	State Ronald 4-J McDonald CTB	Admin.	6/30/2018	364	Casing head Gas	Phantom (Wolfcamp)
38393	7861	State Neal Lethco 3405A-142 CTB	Admin.	8/31/2018	788	Casing head Gas	Phantom (Wolfcamp)
35374	7871	WHISKEY RIVER 3-8 CTB	Admin.	5/31/2018	259	Casing head Gas	Phantom (Wolfcamp)
34314	8305	Legacy 2623A-C3 CTB	Admin.	3/31/2018	280	Casing head Gas	Phantom (Wolfcamp)

Note: Mcfd = Thousand Cubic Feet Per Day