

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0315929

APPLICATION OF ARMOR LONESTAR, LLC (031580) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE F.W. LUECKE (26657) LEASE, SOUTHERN BAY (EAGLE FORD) FIELD, LEE COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas (“Commission”) finds that after notice in the above-docketed case was provided to all parties entitled to notice, a hearing was heard on February 8, 2019 by a Commission Technical Examiner and Administrative Law Judge. This proceeding was duly submitted to the Commission at a conference held in its offices in Austin, Texas. After considering this matter, the Commission adopts the following findings of fact and conclusions of law.

Findings of Fact

1. Armor seeks a two-year Statewide Rule 32 exception to flare casinghead gas associated with the Lease, effective November 4, 2018 through November 4, 2020.
2. Armor has received a 90-day administrative Rule 32 Exception (Permit No. 36147) to flare 150 MCFD of casinghead gas from the Lease effective August 5, 2018 through November 3, 2018.
3. Armor submitted its Rule 32 Exception request on October 12, 2018, more than 21 days prior to the administrative permit’s expiration.
4. On January 11, 2019 the Hearings Division of the Commission sent a Notice of Hearing (“Notice”) to Armor and all offsetting operators in the field setting a hearing date of February 8, 2019. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on February 8, as noticed. Armor appeared and participated at the hearing. No one appeared in protest.

Following issuance on April 17, 2019, of a Ten-Day Letter to address a correction to the above-referenced caption, proper notice of this hearing was provided to all offset operators in the field and no protests were received. Consequently, the parties received more than 10 days’ notice of all proceedings in this matter.

5. Armor's Lease is currently developed with one producing oil well which commenced production in June of 2018. The Well is demonstrating declining production:
 - Approximately 900 barrels of oil per day ("bbl/d") in June 2018 decreasing to approximately 150 bbl/d in early 2019, and
 - Approximately 250 MCFD in June 2018 decreasing to approximately 55 MCFD in early 2019.
6. Based on the production decline curve, the estimated net value of the recoverable casinghead gas is \$382,097.
7. The cost estimate to construct a 6.875 mile pipeline to the Lease flare point is \$1,239,495, making the construction economically unfeasible to Armor.
8. Given the foregoing, there is a necessity for the requested exception to Statewide Rule 32 for the flaring of casinghead gas because a gas pipeline or other marketing facility is unavailable.
9. Armor agreed on the record that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order in 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 to all persons entitled to notice. See, e.g., Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. See, e.g., Tex. Nat. Res. Code § 81.051.
3. Statewide Rule 32 provides exceptions allowing the flaring of gas if certain requirements are met and the flaring is necessary. See, e.g., 16 Tex. Admin. Code § 3.32(f), (h).
4. Armor has met the requirements in Statewide Rule 32 for demonstrating the necessity to flare a maximum of 150 MCFD of casinghead gas and such necessity exists.
5. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant the Final Order in this case is effective when a Master Order relating to the Final Order is signed.

Ordering Provisions

It is **ORDERED** that Armor Lonestar (031580), LLC is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 150 Mcfd of casinghead gas from the Lease from November 4, 2018 to November 4, 2020, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Armor shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the required fee for a Statewide Rule 32 exception for each individual flare point on the Lease. See 16 Tex. Admin. Code § 3.32(h)(1).

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and the agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order is signed.**

Signed on June 18, 2019

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated June 18, 2019)

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Permit Start Date	Permit End Date	Maximum Flare Volume (MCFD)	Casinghead Gas or Gas Well Gas
36147	N/A	F.W. Luecke (26657) Lease	November 4, 2018	November 4, 2020	150 MCFD	Casinghead Gas

Note: MCFD = Thousand Cubic Feet Per Day