

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0320316

**APPLICATION OF VERDUGO-PABLO ENERGY, LLC (884574) FOR AN EXCEPTION
TO STATEWIDE RULE 32 FOR THE VITO (70674) LEASE AND THE CONNIE WEST
LEASE, WELL NO. 1H, SABLE (SAN ANDRES), YOAKUM 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 July 24, 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. Verdugo-Pablo Energy, LLC (“Verdugo” or “Applicant”) seeks an amendment to Statewide Rule 32 exception granted in the Final Order of Oil and Gas Docket No. 8A-0311475, after the Connie West No. 1H well was added to the Vito Lease flare point. Verdugo seeks for authority to flare a maximum of 550 thousand cubic feet per day (“Mcf”) of casinghead gas from the Vito Lease flare point from March 17, 2019 through May 30, 2020, in the Sable (San Andres) Field, Yoakum County, Texas.
2. Verdugo submitted a request for hearing on the Statewide Rule 32 exception for flaring authority on May 17, 2019.
3. The Commission granted an administrative exception to Statewide Rule 32 for the Vito Lease flare point by Final Order in Oil and Gas Docket No. 8A-0311475. The exception was granted for two-year period from May 31, 2018 through May 30, 2020 to flare maximum of 250 Mcfd due to gathering line unavailability.
4. On June 21, 2019, the Hearings Division of the Commission sent a Notice of Hearing to Applicant and all offsetting operators in the field setting a hearing date of July 24, 2019.
5. The Connie West Lease commenced production on February 22, 2019 with the completion of the Connie West No. 1H. The casinghead gas produced from Connie

West No. 1H is connected to the Vito Lease flare point; therefore, Verdugo finds it necessary to request amendment of the existing Statewide Rule 32 exception.

6. Verdugo is requesting authority to flare due to unavailability of the gathering system. The closest gathering pipeline is 11.5 miles away from the wells and the construction of the connecting pipeline would result in \$1,874,000 capital loss.
7. The requested Statewide Rule 32 exception to flare a maximum of 550 Mcfd of casinghead gas from the flare point associated with the Vito Lease and Connie West Lease, Well No. 1, is necessary for Verdugo to produce the hydrocarbon liquids from the Vito Lease and Connie West Lease. The curtailment of gas production by reducing production or shutting in the wells would cause waste.
8. Verdugo agreed that the Final Order in this case is to be final and effective when a Master Order relating to this Final Order is signed.

Conclusions of Law

1. Proper notice was issued to persons entitled to notice. Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. Tex. Nat. Res. Code § 81.051.
3. Verdugo meets the requirements in Statewide Rule 32 to flare a maximum of 550 Mcfd of casinghead gas from the Vito Lease flare point and the flaring of such gas is necessary.
4. This Final Order is final and effective on the date a Master Order relating to this Final Order is signed. Tex. Gov't Code § 2001.144(a)(4)(A).

Ordering Provisions

It is **ORDERED** that Verdugo-Pablo Energy, LLC (884574), be granted an exception to Statewide Rule 32. Its request to flare a maximum of 550 Mcfd of casinghead gas from the Vito Lease and Connie West Lease, Well No. 1, from March 17, 2019 through May 30, 2020, as reflected in attached Attachment A, is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Verdugo 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 applicant in writing or on the record, **the party has 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 August 20, 2019

**RAILROAD COMMISSION OF TEXAS
(Order approved and signatures
affixed by Hearings Division's
Unprotested Master Order dated
August 20, 2019)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Permit No.	Commingled Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Permit Start Date	Permit End Date	Maximum Flare Volume (Mcf/d & Mcf/m)	Casinghead Gas or Gas Well Gas
32848	N/A	Vito Lease and Connie West Lease	May 17, 2019	May 30, 2020	550 Mcfd 17,050 Mcfm	Casinghead Gas

Note: Mcfd = Thousand Cubic Feet Per Day
Mcfm = Thousand Cubic Feet Per Month