

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0319669

**APPLICATION OF LONESTAR OPERATING, LLC (507495) FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE CULPEPPER UNIT NO. 3 LEASE, EAGLEVILLE
(EAGLE FORD-1) FIELD, GONZALES 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 held on July 25, 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. Lonestar Operating, LLC ("Lonestar" or "Applicant") seeks a two-year exception to Statewide Rule 32 ("16 Tex. Admin. Code § 3.32") for authority to flare a maximum of 600 thousand cubic feet per day ("Mcf") of casinghead gas from March 14, 2019, through March 14, 2021, from a single flare point for the Culpepper Unit No. 3 Lease ("Lease"), in the Eagleville (Eagle Ford-1) Field, Gonzales County, Texas.
2. The Commission previously granted Lonestar an administrative exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 260 Mcfd from the Lease. This administrative flaring authority (Permit No. 37856) expired on February 28, 2019.
3. Lonestar submitted a request for hearing on the Statewide Rule 32 exception flaring authority request on March 14, 2019.
4. On June 28, 2019, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of July 25, 2019. Consequently, the parties received more than 10 days' notice. 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 July 25, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law unless otherwise authorized. 16 Tex. Admin. Code § 3.32(b).
6. 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).
7. The nearest gas pipeline operated by Energy Transfer Company (“ETC”) is approximately one (1) mile from the Lease. This pipeline has no available capacity.
8. The casinghead gas has 1000 ppm Hydrogen Sulfide requiring the gas be treated and compressed before it meets pipeline specifications.
9. The cost to connect to the ETC gas pipeline, is estimated to be \$1,165,000. Operating expenses and taxes are estimated at \$4,935,890, which exceeds the net of gas revenue of \$1,399,850 from the remaining reserves attributable to the Lease over a ten-year period, making it uneconomical to construct a pipeline from the Lease to the ETC pipeline.
10. A gas pipeline to take the Lease casinghead gas is unavailable.
11. Based on a production decline curve for the Lease, provided by Lonestar, the estimated volume of casinghead gas to be flared would be a maximum of 600 Mcfd.
12. The requested Statewide Rule 32 exception to flare a maximum of 600 Mcfd of casinghead gas is necessary for Lonestar to produce the recoverable oil from the Lease.
13. Lonestar agreed on the record that the Final Order in this case is to be final and effective on the date a Master Order relating to this Final Order is signed.

Conclusions of Law

1. Proper notice was issued to persons entitled to notice. *See, e.g.*, Tex. Gov’t Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. *See, e.g.*, Tex. Nat. Res. Code § 81.051.
3. Lonestar has met the requirements in Statewide Rule 32 to flare a maximum of 600 Mcfd of casinghead gas and the flaring of such gas is necessary.

4. Pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and effective on the date a Master Order relating to this Final Order is signed.

Ordering Provisions

It is **ORDERED** that Lonestar Operating (507495), LLC (“Lonestar”) is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 600 Mcfd of casinghead gas from the Lease from March 14, 2019 through March 14, 2021, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Lonestar 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 Aug 20, 2019

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division’s Unprotested Master
Order dated Aug 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)	Casinghead Gas or Gas Well Gas
37856	N/A	Culpepper Unit No. 3 Lease (17870)	March 14, 2019	March 14, 2021	600 Mcfd	Casinghead Gas

Note: Mcfd = Thousand Cubic Feet Per Day