

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 02-0320399

**APPLICATION OF 1776 ENERGY OPERATORS, LLC (953562) FOR AN EXCEPTION
TO STATEWIDE RULE 32 FOR THE MARY (09668) LEASE, EAGLEVILLE (EAGLE
FORD-2) FIELD (27135750), KARNES 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 3, 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. 1776 Energy Operators, LLC (“1776 Energy” or “Applicant”) filed an application (“Application”) seeking a two-year exception to Statewide Rule 32 (“Statewide Rule 32”) for authority to flare:
 - a. a maximum of 350 thousand cubic feet per day (“Mcf/d”), limited to 10,500 thousand cubic feet per month (“Mcf/m”), of casinghead gas from May 2, 2019, to May 1, 2021, from the flare point located on the Mary (09668) Lease (“Lease”), Well No. 2H, in the Eagleville (Eagle Ford-2) Field, Karnes County, Texas.
 - b. a maximum of 50 Mcf/d, limited to 1,500 Mcf/m, of casinghead gas from May 2, 2019 to May 1, 2021, from the flare point located on the Lease, Well No. 1H, in the Eagleville (Eagle Ford-2) Field, Karnes County, Texas.
2. 1776 Energy submitted a request for hearing on the Statewide Rule 32 flaring exception on April 15, 2019.
3. 1776 Energy was previously granted an administrative exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 700 Mcf/d from the Lease under Flare Permit No. 37551, expiring May 1, 2019. 1776 Energy was granted the administrative exception to Statewide Rule 32 for well testing and optimization and pipeline equipment and freezing issues.
4. On May 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 3, 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 3, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. The casinghead gas from the Lease is gathered by Ironwood Midstream Energy Partners and is then sold to Energy Transfer Company. 1776 Energy will sell as much casinghead gas as possible.
6. The requested Statewide Rule 32 exception to flare is necessary for pipeline system upsets such as equipment maintenance pressure and capacity issues. 1776 Energy also plans to flare when the casinghead gas H₂S concentration exceeds the gathering system specification of 4 parts per million (“ppm”). When the H₂S concentration exceeds 4 ppm, the casinghead gas will be sent to flare.
7. If the authority to flare casinghead gas is not granted, 1776 Energy would shut-in the wells during pipeline system upsets or when the casinghead gas does not meet the gathering system H₂S concentration limit of 4 ppm. The requested Statewide Rule 32 exception to flare will allow 1776 Energy to produce hydrocarbon liquids efficiently, and thereby reduce waste of recoverable hydrocarbon liquids.
8. The Lease produces casinghead gas with an H₂S concentration of approximately 12 ppm, as stated on the Commission Form H-9, dated May 9, 2017.
9. Based on the production disposition table and decline curve, the estimated volume of casinghead gas to be flared would be a maximum of 350 Mcfd, limited to 10,500 Mcfm, from Well No. 2H, and a maximum of 50 Mcfd, limited to 1,500 Mcfm, from Well No. 1H.
10. The requested Statewide Rule 32 exception to flare a maximum of 350 Mcfd, limited to 10,500 Mcfm, of casinghead gas from Well No. 2H, and a maximum of 50 Mcfd, limited to 1,500 Mcfm, from Well No. 1H, is necessary for 1776 Energy to produce the recoverable oil from the Lease.
11. At the hearing, 1776 Energy agreed on the record that the Final Order in this docketed 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. *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. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law unless authorized. 16 Tex. Admin. Code § 3.32(b).
4. 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).
5. 1776 Energy has met the requirements in Statewide Rule 32 to flare maximum of 350 Mcfd, limited to 10,500 Mcfm, from Well No. 2H, and a maximum of 50 Mcfd, limited to 1,500 Mcfm, from Well No. 1H, and the flaring of such gas is necessary.
6. 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 1776 Energy Operators, LLC (953562) is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 350 Mcfd, limited to 10,500 Mcfm, of casinghead gas from the flare stack located on the Mary (09668) Lease, Well No. 2H, and to flare a maximum of 50 Mcfd, limited to 1,500 Mcfm, of casinghead gas from the flare stack located on the Mary (09668) Lease, Well No. 1H, in the Eagleville (Eagle Ford-2) Field, Karnes County, Texas, from May 2, 2019, to May 1, 2021, as identified in Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. 1776 Energy 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 Mary (09668) Lease, in the Eagleville (Eagle Ford-2) Field, Karnes County, Texas. *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 August 20, 2019.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotected Master
Order dated August 20, 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 (Mcf/d & Mcfm)	Casinghead Gas or Gas Well Gas
37551	N/A	Mary (09668) Lease, Well No. 2H	May 2, 2019	May 1, 2021	350 Mcfd 10,500 Mcfm	Casinghead Gas
37551	N/A	Mary (09668) Lease, Well No. 1H	May 2, 2019	May 1, 2021	50 Mcfd 1,500 Mcfm	Casinghead Gas

Note:
Mcf/d = Thousand Cubic Feet Per Day
Mcfm = Thousand Cubic Feet Per Month