

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0319189

APPLICATION OF U.S. ENERGY DEVELOPMENT CORPORATION (875462) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LLM NORTH (19495) LEASE A PAD, WELL NOS. A 1EF AND A 2EF, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA 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 2, 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. U.S. Energy Development Corporation ("U.S. Energy" or "Applicant") seeks a two-year exception to Statewide Rule 32 ("Statewide Rule 32") for authority to flare a maximum of 1,450 thousand cubic feet per day ("Mcf/d"), limited to 43,500 thousand cubic feet per month ("Mcfm"), of casinghead gas from May 10, 2019, to May 9, 2021, from the flare stack located on the LLM North (19495) Lease ("Lease"), Well Nos. A 1EF and A 2EF in the Briscoe Ranch (Eagleford) Field, Zavala County, Texas.
2. U.S. Energy submitted a request for hearing on the Statewide Rule 32 exception flaring authority on March 25, 2019.
3. U.S. Energy was previously granted an administrative exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 1,450 Mcfd from the Lease under Flare Permit No. 39835, expiring May 9, 2019.
4. On May 29, 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 2, 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 2, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. The nearest available tie-in to the gas pipeline operated by Williams MLP Operating LLC ("Williams") is approximately 2.18 miles from the Lease.
6. The cost to treat and connect the Lease to the Williams gas pipeline is estimated to be \$1,060,550, which exceeds the net gas revenue of \$179,913 from the remaining reserves from the Lease, making it uneconomical to construct a pipeline from the Lease to the Williams pipeline.
7. The Lease produces casinghead gas with an H₂S concentration of approximately 500 parts per million ("ppm"), as stated on the Commission Form H-9, dated February 1, 2019.
8. A gas pipeline to take the Lease casinghead gas is unavailable.
9. Based on the well production decline curve, the estimated volume of casinghead gas to be flared would be a maximum of 1,450 Mcfd.
10. The requested Statewide Rule 32 exception to flare a maximum of 1,450 Mcfd, limited to 43,500 Mcfm, of gas well gas is necessary for U.S. Energy to produce the recoverable oil from the Lease.
11. At the hearing, U.S. 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. U.S. Energy has met the requirements in Statewide Rule 32 to flare a maximum of 1,450 Mcfd, limited to 43,500 Mcfm, of casinghead gas 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 U.S. Energy Development Corporation (875462) is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 1,450 Mcfd, limited to 43,500 Mcfm, of casinghead gas from the flare stack located on the LLM North Lease, Well Nos. A 1EF and A 2EF, from May 10, 2019, to May 9, 2021, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. U.S. 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 LLM North Lease, Well Nos. A 1EF and A 2EF. 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.	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
39835	N/A	LLM North A Pad	May 10, 2019	May 9, 2021	1,450 Mcf/d 43,500 Mcf/m	Casinghead Gas

Note:

Mcf/d = Thousand Cubic Feet Per Day

Mcf/m = Thousand Cubic Feet Per Month