

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 08-0320807

**APPLICATION OF FELIX ENERGY HOLDINGS II, LLC (265322) FOR AN EXCEPTION
TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, PHANTOM (WOLFCAMP)
FIELD, WINKLER COUNTY, TEXAS**

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that after a notice of hearing in the above-docketed case was provided to all parties entitled to notice, a hearing was held on October 23, 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. Felix Energy Holdings II, LLC ("Felix") requests a six-month and one day exception to 16 Tex. Admin. Code § 3.32 ("SWR 32") from June 30, 2019 to December 31, 2019, for authority to flare casinghead gas from various leases and in the respective volumes in the Phantom (Wolfcamp) Field, as identified in Attachment A, attached hereto (the "Subject Leases").
2. In addition to the Subject Leases, the following leases and flare points were originally but are no longer the subject of this docket due to a protest of the following four (4) flare points: the Emmaline 848586-F Lease (DP No. 839593), the Iowa Gulch 9697-F (52313) Lease, the Missouri Gulch 848586-F (52309) Lease, and the Cloverdale 9796-F (52021) Lease, (collectively, the "Ward County Leases").
3. In addition to the Subject Leases and the Ward County Leases, the following leases and flare points were also originally but are no longer the subject of this docket: the Cottonwood 27-27 (50982) Lease, the Grizzly State 45-27 (50522) Lease, the Grizzly State 4045-27 (51729) Lease, the Pearl Pass 2116-27 (49848) Lease, the Three Elk State 4041-27 (49008) Lease, and the UL Montgomery 0310-21 (50523) Lease, (collectively, the "Additional Winkler County Leases").
4. On June 6, 2019, Felix submitted a hearing request for an exception to SWR 32 to flare casinghead gas from the Subject Leases, the Ward Leases, and the Additional Winkler County Leases.

5. On August 12, 2019, the Hearings Division of the Commission sent an Amended Notice of Hearing ("Notice") to Applicant and all offsetting operators in the Phantom (Wolfcamp) Field setting a hearing date of September 6, 2019, for the Subject Leases, the Ward County Leases and the Additional Winkler County Leases. 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 September 6, 2019 as noticed. Applicant appeared and participated at the hearing. A party appeared and protested the SWR 32 exception application for the Ward County Leases.
6. At the hearing on September 6, 2019, (a) Felix's request for an exception to SWR 32 to flare casinghead gas from the Ward County Leases was severed due to a protest of these four (4) leases into Oil and Gas Docket No. 08-321340, and (b) the hearing on Felix's request for an exception to SWR 32 to flare casinghead gas from the Subject Leases and the Additional Winkler County Leases was continued to October 23, 2019.
7. At the hearing on October 23, 2019, Felix withdrew its requested exception to SWR 32 to flare casinghead gas from the Additional Winkler County Leases, having determined those requests were neither necessary nor required. Consequently, Felix's request for an exception to SWR 32 to flare casinghead gas from the Additional Winkler County Leases was dismissed without prejudice.
8. On October 23, 2019, Applicant appeared and participated at the continued hearing on Felix's request for an exception to SWR 32 to flare casinghead gas from the Subject Leases. Felix's request for authority to flare casinghead gas from the Subject Leases is unopposed.
9. Felix was previously granted administrative exceptions to SWR 32 for the Subject Leases. The termination date for each of the administrative exceptions applicable to the Subject Leases is June 29, 2019.
10. Casinghead gas produced from the Subject Leases has a H₂S content ranging from 4,000 parts per million ("ppm") to 39,000 ppm.
11. Casinghead gas produced from the Subject Leases is dedicated to, gathered and purchased by Targa Delaware LLC ("Targa").
12. The casinghead gas delivered from the Subject Leases into the Targa gathering system is processed at the Targa Gas Plant. The Targa Gas Plant is governed by

the plant's air quality permit which limits the blended gas stream entering the plant to 1,500 ppm H₂S.

13. Casinghead gas produced from the Subject Leases must be blended with lower H₂S concentration gas production from other wells connected to the Targa system to achieve a blended inlet gas stream of 1,500 ppm H₂S or lower at the Targa Gas Plant.
14. Targa has applied to amend the air quality permit for the Targa Gas Plant to allow for the acceptance of a blended inlet gas stream having a H₂S concentration higher than 1,500 ppm. It is expected that it will take approximately twelve (12) months to obtain the air quality permit amendment.
15. Flaring is occasionally necessary at any one of the Subject Leases when Targa rejects such gas because it is unable to sufficiently dilute the elevated concentration of H₂S gas with gas from other wells connected to Targa's system having a lower H₂S concentration.
16. During events of periodic and/or partial curtailment of casinghead gas produced from the Subject Leases, the curtailed volumes of produced casinghead gas from the Subject Leases are diverted to its respective connected flare point for combustion disposal.
17. One of the Subject Leases, the Booth Falls 2722-27 2H (DP No. 835977), having a H₂S concentration of 39,000 ppm and located closest to the terminus of a Targa lateral, flared the highest percentage of produced casinghead gas among the Subject Leases since January 2019.
18. The requested SWR 32 exception maximum daily flare volumes identified on Attachment A for each of the Subject Leases approximates the expected daily casinghead gas deliverability from that Subject Lease.
19. The requested SWR 32 exception maximum monthly flare volumes identified on Attachment A for each of the Subject Lease represents approximately five (5) days of casinghead deliverability from each of the respective Subject Leases, with the exception of the Booth Falls 2722-27 2H (DP No. 835977) Lease which represents approximately thirteen (13) days of expected lease casinghead deliverability.
20. The requested SWR 32 exception to flare casinghead gas is necessary for Felix to produce the recoverable hydrocarbon liquids from the Subject Leases when Felix lacks an available pipeline or marketing outlet due Targa's periodic and/or partial rejection of the casinghead gas from the Subject Leases.

21. At the hearing, Felix 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. SWR 32 requires gas to be utilized for purposes and uses authorized by law. 16 Tex. Admin. Code § 3.32(b).
4. SWR 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. Felix has met the requirements in SWR 32 to flare 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 Felix Energy Holdings II, LLC (265322) is granted a six-month and one day exception to Statewide Rule 32. Its request for authority to flare casinghead gas from the various leases and in the respective volumes, Phantom (Wolfcamp) Field, Winkler County, Texas, from June 30, 2019 to December 31, 2019, as reflected in attached Attachment A, attached hereto, is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Felix 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 the flare points identified in Attachment A. 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 November 19, 2019

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated November 19, 2019)**

ATTACHMENT A

Flare Permit Number	Commingle Permit Number	Flare Location/System Name	Permit Start Date	Permit End Date	Maximum Daily Flare Volume (Mcf/d)	Maximum Monthly Flare Volume (Mcfm)	Casinghead or Gas Well Gas
39576	NA	Booth Falls 22-27	06/30/2019	12/31/2019	850	4,250	Casinghead
39578	NA	Booth Falls 2722-27 2H	06/30/2019	12/31/2019	2,000	26,000	Casinghead
39577	NA	Booth Falls 2722-27	06/30/2019	12/31/2019	3,000	15,000	Casinghead
40697	NA	Manitou 2623-27	06/30/2019	12/31/2019	1,000	5,000	Casinghead
39585	NA	Manitou2326-27	06/30/2019	12/31/2019	1,000	5,500	Casinghead
39589	NA	UL Fourth of July 22-21	06/30/2019	12/31/2019	400	2,500	Casinghead

Note: Mcfd = thousand cubic feet per day
 Mcfm = thousand cubic feet per month