

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00001919

APPLICATION OF MAGNOLIA OIL & GAS OPERATING LLC (521544) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, EAGLEVILLE (EAGLE FORD-2) AND SUGARKANE (AUSTIN CHALK) FIELDS, KARNES COUNTY, TEXAS; DISTRICT 02

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 January 31, 2020, 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. Magnolia Oil & Gas Operating LLC ("Magnolia" or "Applicant") seeks a two-year exception to Statewide Rule 32 for five flaring points, in the Eagleville (Eagle Ford-2) and Sugarkane (Austin Chalk) Fields, Karnes County, Texas.
2. Magnolia submitted a request for hearing on the Statewide Rule 32 exception for flaring authority on November 26, 2019.
3. On January 16, 2020 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 January 31, 2020. 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 January 31, 2020 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
4. Magnolia applied for an administrative exception to Statewide Rule 32 for Yanta et al Flare Point 1, Conrad / Bailey Flare Point, and Yanta, Edwin Flare Point on November 8, 2019. As of the date of this hearing the administrative exceptions have not been processed.

5. Magnolia applied for an administrative exception to Statewide Rule 32 for Gussie Yanta Flare Point 1 and Foegelle Dugie Unit Flare Point on December 20, 2019. As of the date of this hearing the administrative exceptions have not been processed.
6. The Yanta et al Flare Point 1 is flaring gas from Oil and Gas Lease Nos. 02-10831 and 02-11025. The two leases are surface commingling under the Commingling Permit No. 02-5928. Lease No. 02-10831 in the Eagleville (Eagle Ford-2) Field is developed by 13 wells. Lease No. 02-11025 in Sugarkane (Austin Chalk) Field is developed by 10 wells.
7. The wells associated with the Yanta et al Flare Point are oil wells connected to a pipeline gathering system. Most of the gas is sold and only 0.7% of total gas product is flared. The gas from oil and gas leases No. 02-10831 and No. 02-11025 is gathered by Startex Field Services, LLC and purchased by Energy Transfer Company. Applicant maintains that flaring is necessary due to high line pressure and gas plant downtime.
8. The Gussie Yanta Flare Point 1 is flaring gas from Oil and Gas Lease Nos. 02-11158 and 02-11156. The two leases are surface commingling under the Commingling Permit No. 02-5961. Lease No. 02-11158 in the Eagleville (Eagle Ford-2) Field is developed with 2 wells. Lease No. 02-11156 in Sugarkane (Austin Chalk) Field is developed with 2 wells.
9. The wells associated with the Gussie Yanta Flare Point 1 are oil wells connected to a pipeline gathering system. Most of the gas is sold and only 2.4% of total gas product is flared. The gas from oil and gas leases 02-11158 and 02-11156 is gathered and purchased by Energy Transfer Company. Applicant maintains that flaring is necessary due to high line pressure and gas plant downtime.
10. The Conrad/Bailey Flare Point is flaring gas from Oil and Gas Lease Nos. 02-09800 and 02-11142. Lease No. 02-09800 in the Eagleville (Eagle Ford-2) Field is developed with 3 wells. Lease No. 02-11142 in Sugarkane (Austin Chalk) Field is developed with 1 well.
11. The wells associated with the Conrad/Bailey Flare Point are oil wells connected to a pipeline gathering system. Most of the gas is sold and 38.7% of total gas product is flared. The relatively high percentage of gas flared is attributed to the fact that these are the only two leases in this application that have their gas gathered and purchased by DCP Operating Company, LP. Applicant maintains that flaring is necessary due to high line pressure and gas plant downtime.

12. The Foegeolle Dugie Flare Point is flaring gas from Oil and Gas Lease Nos. 02-09966 and 02-11203. The two leases are surface commingling under the Commingling Permit No. 02-5960. Lease No. 02-09966 in the Eagleville (Eagle Ford-2) Field is developed with 6 wells. Lease No. 02-11203 in Sugarkane (Austin Chalk) Field is developed with 7 wells.
13. The wells associated with the Foegeolle Dugie Flare Point are oil wells connected to a pipeline gathering system. Most of the gas is sold and only 5.7% of total gas product is flared. The gas from oil and gas leases 02-09966 and 02-11203 is gathered by Startex Field Services, LLC and purchased by Energy Transfer Company. Applicant maintains that flaring is necessary due to high line pressure and gas plant downtime.
14. The Edwin Yanta Flare Point 1 is flaring gas from Oil and Gas Lease Nos. 02-10306 and 02-11379. Lease No. 02-10306 in the Eagleville (Eagle Ford-2) Field is developed with 3 wells. Lease No. 02-11379 in Sugarkane (Austin Chalk) Field is developed with 2 wells.
15. The wells associated with the Edwin Yanta Flare Point 1 are oil wells connected to a pipeline gathering system. Most of the gas is sold and only 9.9% of total gas product is flared. The gas from oil and gas leases 02-10306 and 02-11379 is gathered and purchased by Energy Transfer Company. Applicant maintains that flaring is necessary due to high line pressure and gas plant downtime.
16. The maximum daily and monthly rates for each flare point listed in the Attachment A are based on the highest daily and monthly volumes flared in the 90 days prior to the hearing request.
17. Magnolia 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. Magnolia meets the requirements in Statewide Rule 32 to flare of gas well gas from flaring points, rates, and time periods listed in the Attachment A.

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 Magnolia Oil & Gas Operating LLC (521544) be granted an exception to Statewide Rule 32 for the for the maximum volumes and time periods reflected in attached Attachment A and the request for flaring be **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Magnolia 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 leases. 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 March 4, 2020

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures
affixed by Hearings Division's
Uncontested Master Order dated
March 4, 2020)

ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY(IES)

Previous Flare Exception Permit No.	Commingle Permit No. (if applicable)	Flare Point	Lease No.	Exception Start Date	Exception End Date	Previous Maximum Flare Volume (Mcf/d & Mcfm*)	Casinghead Gas or Gas Well Gas
TBD	02-5928	Yanta et al Flare Point 1	02-10831 & 02-11025	Jan. 1, 2020	Dec. 31, 2021	2,000 Mcfd 7,500 Mcfm	Casinghead Gas
TBD	02-5961	Gussie Yanta Flare Point 1	02-11156 & 02-11158	Nov. 27, 2019	Nov. 26, 2021	1,500 Mcfd 8,150 Mcfm	Casinghead Gas
TBD		Conrad/Bailey Flare Point	02-09800 & 02-11142	Jan. 1, 2020	Dec. 31, 2021	500 Mcfd 5,500 Mcfm	Casinghead Gas
TBD	02-5960	Foegeolle Dugie Flare Point	02-09966 & 02-11203	Nov. 27, 2019	Nov. 26, 2021	3,400 Mcfd 10,500 Mcfm	Casinghead Gas
TBD		Edwin Yanta Flare Point 1	02-10306 & 02-11379	Nov. 27, 2019	Nov. 26, 2021	700 Mcfd 3,100 Mcfm	Casinghead Gas

*Mcfm – Thousand cubic feet per month