

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00001918

APPLICATION OF HIGHPEAK ENERGY HOLDINGS, LLC (385826) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE JASMINE UNIT 'A' 1H FLARE POINT, JASMINE 'A' UNIT LEASE, WELL NO. 1H, DRILLING PERMIT NO. 849062 AND JASMINE UNIT (51341) LEASE, WELL NO. 1H, SPRABERRY (TREND AREA) FIELD, HOWARD COUNTY, TEXAS, DISTRICT 08

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 February 14, 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. Highpeak Energy Holdings, LLC ("Highpeak") requested a two-year exception to Statewide Rule 32 ("SWR 32") from January 28, 2020 to January 27, 2022, for authority to flare a maximum of 850 thousand cubic feet per day ("Mcf/d"), limited to 15,300 thousand cubic feet per month ("Mcfm"), of casinghead gas from the Jasmine Unit 'A' 1H central flare point (the "CFP"). The CFP combusts casinghead gas delivered from two single-well oil leases, the Jasmine Unit (51341) Lease, Well No. 1H, and the Jasmine 'A' Unit (52588) Lease, Well 1H. Production from the two leases is commingled pursuant to commingling permit number 9075. The requested monthly flare volume represents eighteen (18) days of commingled maximum daily casinghead gas deliverability from the two (2) separate single-well oil leases. Both of the oil leases are designated in the Spraberry (Trend Area) Field in Howard County, Texas (the "Field").
2. Highpeak submitted a request for hearing on the SWR 32 exception flaring authority on December 3, 2019, which is more than twenty-one (21) days prior to the prescribed termination date of the most recent administratively granted SWR 32 exception authority.
3. Highpeak was previously granted a series of administrative SWR 32 exceptions under permit number 40471 to flare 300 Mcfd at the Jasmine Unit lease. Upon Highpeak's request, the administrative SWR 32 exception authorities were consolidated on November 13, 2019, for the Jasmine Unit Lease and the Jasmine 'A' Unit Lease under permit number 42006 to flare a maximum of 700 Mcfd at the CFP. The prescribed termination date of administrative SWR 32 flare exception number 42006 was January 27, 2020.

4. On January 22, 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 February 14, 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 February 14, 2020, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
5. Highpeak represents the highest daily casinghead gas rate of 396 Mcf from the Jasmine Unit lease occurred on November 12, 2019, and the highest daily casinghead gas rate of 448 Mcf from the Jasmine ‘A’ Unit lease occurred on November 18, 2019, for a combined maximum daily casinghead deliverability of 833 Mcf.
6. Casinghead gas produced from the Jasmine Unit lease and the Jasmine ‘A’ Unit lease is connected, delivered and sold into the WTG Gas Processing, L.P. gas gathering system (“WTG”).
7. From time to time, WTG curtails the delivery of casinghead from the Jasmine Unit lease and the Jasmine ‘A’ Unit lease due to WTG plant maintenance. The curtailed volumes of casinghead gas produced from the two leases are diverted to a flare stack for combustion.
8. Delivery of casinghead gas produced from the Jasmine Unit lease was curtailed by WTG during a period of thirty-two (32) consecutive days ending August 23, 2019, during which 9,857 Mcf of casinghead gas production was diverted to a flare stack for combustion. WTG did not curtail the delivery of any casinghead gas from the Jasmine Unit lease prior to this period. WTG curtailed the delivery of 1,402 Mcf of casinghead gas from the Jasmine Unit lease over a four (4) consecutive day period ending November 1, 2019, with such gas being diverted to a flare stack for combustion. There are no other WTG delivery curtailments of casinghead gas from the Jasmine Unit lease in the record up to and including January 29, 2020.
9. Delivery of casinghead gas produced from the Jasmine ‘A’ Unit lease was curtailed by WTG during a period of seventeen (17) consecutive days ending August 24, 2019, during which 990 Mcf of casinghead gas was diverted to a flare stack for combustion. Production from the Jasmine ‘A’ Unit lease first occurred in August 2019. WTG curtailed the delivery of 1,027 Mcf of casinghead gas from the Jasmine ‘A’ Unit lease over a four (4) consecutive day period ending November 1, 2019, with such gas being diverted to a flare stack for combustion. There are no other

WTG delivery curtailments of casinghead gas from the Jasmine 'A' Unit lease in the record up to and including January 29, 2020.

10. In any calendar month since August 2019, Highpeak has not needed to flare more than three (3) times the daily exception rate of 850 Mcf requested at the hearing, which is based upon one hundred percent (100%) of the maximum combined daily deliverability of the Jasmine Unit lease and the Jasmine 'A' Unit lease.
11. Based upon the foregoing, the maximum daily and maximum monthly flare exception volumes for the CFP identified on Attachment A are based upon the daily commingled maximum deliverability of the Jasmine Unit lease and the Jasmine 'A' Unit lease and allowing for flaring to occur on four (4) days in the aggregate per calendar month.
12. Given the variability of WTG plant maintenance and the resulting curtailment of casinghead gas produced from the Jasmine Unit lease and the Jasmine 'A' Unit lease, the one-year term of SWR 32 exception for the CFP identified on Attachment A, is appropriate.
13. At the hearing, Highpeak 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 unless authorized. 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. Highpeak 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 Highpeak Energy Holdings, LLC (385826) is granted a one-year exception to Statewide Rule 32. Its request for authority to flare casinghead gas from the Jasmine Unit 'A' 1H central flare point, from January 28, 2020 to January 27, 2021, as reflected in attached Attachment A, is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Within 30 days of the effective date of this order, Highpeak shall file the Statewide Rule 32 Exception Data Sheet and the required fee for a Statewide Rule 32 exception for the Jasmine Unit 'A' 1H central flare point. See 16 Tex. Admin. Code § 3.32(h)(1). This order, and the authority to flare granted herein, is **VOID** if the required fee is not paid by Highpeak within 30 days of the effective date of this order.

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 April 21, 2020

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated April 21, 2020)**

ATTACHMENT A

Exception 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
42006	9075	Jasmine Unit 'A' 1H CFP	January 28, 2020	January 27, 2021	850 Mcfd 3,400 Mcfm	Casinghead Gas

The location of the Jasmine 'A' Unit 1H central flare point is:

Latitude 32 29'02.2" N

Longitude 101 19'41.4" W