

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00001393

APPLICATION OF TALL CITY OPERATING III LLC (835518) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR OLIVER 13-24 LEASE, WELL NO. 1H, PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS, DISTRICT 08

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 November 26, 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. Tall City Operating III LLC ("Tall City" or "Applicant") seeks an exception to Statewide Rule 32 ("Statewide Rule 32") for authority to flare a maximum of 4,865 thousand cubic feet per day ("Mcf/d"), limited to 87,570 thousand cubic feet per month ("Mcfm") of gas well gas from November 11, 2019, to November 10, 2021 from the Oliver 13-24 Lease, Well No. 1H ("Lease"). The flare point is located at the Oliver 13-24 1H Lease, Phantom (Wolfcamp), Reeves County, Texas.
2. Tall City submitted a request for hearing on the Statewide Rule 32 exception flaring authority request on October 14, 2019.
3. Tall City was previously granted administrative exception to Statewide Rule 32 to flare a maximum gas well gas volume of 1,115 Mcfd from the Lease from May 13, 2019 to November 10, 2019. This administrative flaring authority (Exception No. 40037) expired on November 10, 2019.
4. On October 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 November 26, 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 November 26, 2019 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. At present, the gas well gas produced from the Lease is gathered and sold to Energy Transfer Company (“ETC”).
6. System upsets due to maintenance, equipment failures, high line pressure and temporary outages prevent gas from being sold, resulting in excess gas that must be flared.
7. During events of periodic and partial curtailment on the ETC systems, the curtailed volumes of produced gas well gas from the Lease are diverted to the Lease flare point.
8. The estimated volume of gas well gas to be flared at the Lease would be a maximum of 4,865 Mcfd, limited to 20,658 Mcfm during periods of high line pressure and temporary system upsets.
9. Based on the evidence admitted into the record, the Examiners recommended reducing the monthly volumes requested by Applicant to 20,658 Mcfm on the Lease. Applicant considered the Examiner’s recommendation as not adverse in correspondence dated April 13, 2020.
10. The Examiners recommend a daily volume of 4,865 Mcfd and monthly limiting volume of 20,658 Mcfm. This value represents a mid-point between the transition between high volumes of flaring up to June 2019 (43,761 Mcfm) and the much lower volume of flaring that has taken place since Aug 2019 (1,572 Mcfm in October 2019, 5,735 Mcfm in August 2019, and 9,286 Mcfm in September 2019). Additionally, it represents 4.25 days of peak production as represented by Applicant’s expert witness.
11. The requested Statewide Rule 32 exceptions to flare a maximum of 4,865 Mcfd, limited to 20,658 Mcfm of gas well gas is necessary for Tall City to produce the recoverable oil during periods of high line pressure and temporary system upsets for the Lease.
12. At the hearing, Tall City 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 excepted by law. 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. Tall City has met the requirements in Statewide Rule 32 to flare a maximum of 4,860 Mcfd, limited to 20,658 Mcfm, of gas well gas from the Lease 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 Tall City OPERATING III LLC (835518) ("Tall City" or "Applicant") is **GRANTED** a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 4,865 thousand cubic feet per day ("Mcf"), limited to 20,658 thousand cubic feet per month ("Mcfm") of gas well gas from the Oliver 13-24 1H Lease, from November 11, 2019 to November 10, 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, Applicant shall file the Statewide Rule 32 Exception Data Sheet and the required fee for a Statewide Rule 32 exception for each 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 Applicant 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 this Final Order is final and effective on the date the Master Order relating to this Final Order is signed.**

Signed on May 5, 2020

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated May 5, 2020)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Exception No.	Commingle Permit No. (If Applicable)	Lease Name, Individual Flare Stacks (1) Latitude (2) Longitude	Exception Start Date	Exception End Date	Maximum Flare Volume (Mcf/d & Mcf/m)	Casinghead Gas or Gas Well Gas
40037	NA	Oliver 13-24 1H (1) Lat: 31° 12' 4.03" N (2) Long: 103° 41' 37.01" W	November 11, 2019	November 10, 2021	4,865 Mcf/d 20,658 Mcf/m	Gas Well Gas

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