

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00001952

APPLICATION OF MAGNOLIA OIL & GAS OPERATING LLC (521544) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE TBK UNIT (10828) LEASE, EAGLEVILLE (EAGLE FORD-2), KARNES COUNTY, TEXAS; DISTRICT 02

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 April 29, 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") requests a two-year exception to Statewide Rule 32 ("SWR 32") to flare a maximum of 3,015 thousand cubic feet per day ("Mcf/d"), limited to a maximum of 12,060 thousand cubic feet per month ("Mcfm") of an aggregated gas stream comprised of lease-produced casinghead gas and other-sourced gas lift gas at the TBK Unit central flare point (the "TBK Unit CFP"). Magnolia requests that the two-year exception begin on December 4, 2019 and extend through December 3, 2021.
2. Magnolia submitted a request for hearing on the SWR 32 exception flaring authority on December 3, 2019, which is the prescribed termination date of the most recently granted administrative SWR 32 exception authority for the TBK Unit CFP.
3. Magnolia was previously granted an administrative SWR 32 exception effective through December 3, 2019, to flare a maximum of 100 Mcf of the aggregated gas stream at the TBK Unit CFP.
4. On April 2, 2020, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Magnolia and offsetting operators in the fields setting a hearing date of April 29, 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 April 29, 2020, as noticed. Magnolia appeared and participated at the hearing

via Zoom software. No one appeared in protest or made any filing in opposition to the application.

5. The TBK Unit CFP serves to combust an aggregated gas stream from seven (7) oil wells on the TBK Unit (10828) lease ("Lease").
6. The Lease produces casinghead gas containing 60 parts per million ("PPM") of hydrogen sulfide, therefore, the 100-ppm radius of exposure ("ROE") is not applicable. There are no permanent receptors to the flare point.
7. Four (4) oil wells on the Leases utilize mechanical gas lift in the wellbores to facilitate the lifting and recovery of hydrocarbons from the Lease, in the following manner:
 - a. The casinghead gas produced from the Lease is initially metered from the Lease.
 - b. The metered casinghead gas is piped and commingled with other gas at a central compression facility.
 - c. From the central compression facility, up to 500 Mcfd is piped to each of the four (4) oil wells on the Lease for use in gas lift operations.
 - d. Any surplus commingled gas at the central compression facility not piped to a well for use in the mechanical gas lift operations is delivered and purchased by Energy Transfer Company ("ETC") gas gathering system.
 - e. In the event the ETC system is unavailable to take the delivery of all or a portion of the surplus commingled gas from the central compression facility, such gas is diverted to the TBK Unit CFP for combustion.
8. Production graphs for the Lease demonstrate the casinghead production to peak recently to approximately 1,015 Mcfd and the utilized gas lift gas to average approximately 2,000 Mcfd, for a total aggregated gas stream of 3,015 Mcfd.
9. The flare event history of the TBK Unit CFP demonstrates that periodic and unpredictable mechanical and operational upsets on the ETC system and equipment failures or adjustments on the Lease, either together or singularly, cause flare events at the TBK Unit CFP which last a maximum equivalent of four (4) days in any one month.
10. The TBK Unit has flared 5.5% of total gas production.
11. A SWR 32 flare exception at the TBK Unit CFP of 1,015 Mcfd, limited to 4,060 Mcfm, for casinghead gas produced from the Lease, and a maximum flare volume

of 2,000 Mcfd, limited to 8,000 Mcfm, applicable to gas lift gas utilized on the Lease will allow Magnolia to continue producing hydrocarbon liquids from the Lease during periodic and unpredictable unavailability of the ETC gas gathering pipeline and other equipment failures of limited duration.

12. Magnolia finds the Examiners' recommended maximum daily and monthly flare exception volumes and the recommended term of the flare exception, contained in Attachment A, to not be adverse.
13. At the hearing, Magnolia 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.
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. Magnolia has met the requirements in SWR 32 to flare 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 Magnolia Oil & Gas Operating LLC (521544) ("Magnolia") is granted a two-year exception to Statewide Rule 32. Its request for authority to flare gas from the TBK Unit central flare point, from December 4, 2019 to December 3, 2021, as reflected in attached Attachment A, is **APPROVED**. This authority is granted, provided all production is reported on the appropriate Commission forms.

This authority is granted, provided all production is reported on the appropriate Commission forms. Within 30 days of the effective date of this order, Magnolia shall file the Statewide Rule 32 Exception Data Sheet and the required fee for a Statewide Rule

32 exception for the subject 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 Magnolia within thirty (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 August 4, 2020

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated August 4, 2020)**

ATTACHMENT A

Exception No.	Commingle Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Exception Start Date	Exception End Date	Maximum Flare Volume (Mcf & Mcfm)	Type of Gas
42598	NA	TBK Unit CFP	Dec. 4, 2019	Dec.3, 2021	1,015 Mcfd	Casinghead Gas
					4,060 Mcfm	
					2,000 Mcfd	Gas Lift Gas
					8,000 Mcfm	

Significant Locations:

TBK Unit Flare Point: Lat. 29.142389° / Long. -97.684061°

TBK Unit Access: Lat. 29.146444° / Long. -97.681497°

WGS 84