

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0319184

APPLICATION OF U.S. ENERGY DEVELOPMENT CORPORATION (875462) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HIDEAWAY RANCH (18596) LEASE D PAD, WELL NOS. D 1EF, D 2EF, AND D 3EF, BRISCOE RANCH (EAGLEFORD) FIELD, FRIO COUNTY, TEXAS

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 July 2, 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. U.S. Energy Development Corporation ("U.S. Energy" or "Applicant") seeks a two-year exception to Statewide Rule 32 ("Statewide Rule 32") for authority to flare a maximum of 800 thousand cubic feet per day ("Mcf/d"), limited to 24,000 thousand cubic feet per month ("Mcfm"), of casinghead gas from February 12, 2019, to February 11, 2021, from the flare stack located on the Hideaway Ranch Lease ("Lease") D Pad, Well Nos. D 1EF, D 2EF, and D 3EF Lease, in the Briscoe Ranch (Eagleford) Field, Frio County, Texas.
2. U.S. Energy submitted a request for hearing on the Statewide Rule 32 exception flaring authority on March 25, 2019.
3. U.S. Energy was granted an administrative exception to Statewide Rule 32 on June 24, 2019 to flare a maximum casinghead gas volume of 300 Mcfd from the Lease under Flare Permit No. 39834, expiring February 11, 2019.
4. On May 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 July 2, 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 July 2, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. The nearest gas pipeline operated by Williams MLP Operating LLC ("Williams"), is approximately 3 miles from the Lease. Williams would need to construct approximately 4.24 miles of pipeline to service the Lease and other nearby leases.
6. Williams obtained T4 Permit No. 08236 to construct a pipeline to service the Lease and other nearby leases, but the pipeline was not viable economically and the pipeline was never built.
7. The cost to treat and connect the well pad to the Williams gas pipeline, is estimated to be \$2,152,600, which exceeds the net gas revenue of \$553,916 from the remaining reserves from the Lease, making it uneconomical to construct a pipeline from the Lease to the Williams pipeline.
8. The Lease produces casinghead gas with an H₂S concentration of approximately 461 parts per million ("ppm"), as stated on the Commission Form H-9, dated October 5, 2018.
9. A gas pipeline to take the Lease casinghead gas is unavailable.
10. Based on the well production data and decline curve, the estimated volume of casinghead gas to be flared would be a maximum of 800 Mcfd.
11. The requested Statewide Rule 32 exception to flare a maximum of 800 Mcfd, limited to 24,000 Mcfm, of casinghead gas is necessary for U.S. Energy to produce the recoverable oil from the Lease.
12. At the hearing, U.S. Energy 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 authorized. 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. U.S. Energy has met the requirements in Statewide Rule 32 to flare a maximum of 800 Mcfd, limited to 24,000 Mcfm, of 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 U.S. Energy Development Corporation (875462) is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 800 Mcfd, limited to 24,000 Mcfm, of casinghead gas from the flare stack located on the Hideaway Ranch Lease D Pad, Well Nos. D 1EF, D 2EF, and D 3EF, from March 25, 2019 to March 24, 2021, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. U.S. Energy 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 Hideaway Ranch Lease D Pad, Well Nos. D 1EF, D 2EF, and D 3EF. 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 August 20, 2019.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotected Master
Order dated August 20, 2019)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Permit 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
39834	N/A	Hideaway Ranch D Pad	March 25, 2019	March 24, 2021	800 Mcfd 24,000 Mcfm	Casinghead Gas

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