

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00002050

**APPLICATION OF MAGNOLIA OIL & GAS OPERATING LLC (521544) FOR AN
EXCEPTION TO STATEWIDE RULE 32 FOR THE LAY WEST UNIT (19180) LEASE,
EAGLEVILLE (EAGLE FORD-1), ATASCOSA COUNTY, TEXAS; DISTRICT 01**

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 230 thousand cubic feet per day (“Mcf/d”), limited to a maximum of 1,550 thousand cubic feet per month (“Mcfm”) of lease-produced casinghead gas at the Lay West Unit central flare point (the “Lay West Unit CFP”). Magnolia requests that the two-year exception begin on December 11, 2019 and extend through December 10, 2021.
2. Magnolia submitted a request for hearing on the SWR 32 exception flaring authority on December 10, 2019, which is the prescribed termination date of the most recently granted administrative SWR 32 exception authority for the Lay West Unit CFP.
3. Magnolia was previously granted an administrative SWR 32 exception effective through December 10, 2019, to flare a maximum of 1,000 Mcf of the gas stream at the Lay West 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 Lay West Unit CFP serves to combust a gas stream from one (1) oil well on the Lay West (19180) lease (“Lease”).

6. The Lease produces casinghead gas containing 1,400 parts per million (“PPM”) of hydrogen sulfide. The 100-ppm radius of exposure (“ROE”) is 49 ft. There are no permanent receptors to the flare point within the ROE.
7. Gas from the Lease is gathered and purchased by Energy Transfer Company (“ETC”). In the event the ETC system is unavailable to take the delivery of all or a portion of the surplus commingled gas the Lease, such gas is diverted to the Lay West Unit CFP for combustion.
8. The Lease has flared 2.6% of its produced casinghead gas.
9. Production graphs for the Lease demonstrate the casinghead gas production averages approximately 230 Mcfd.
10. The flare event history of the Lay West 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 Lay West Unit CFP which last a maximum equivalent of 6.7 days in any one month.
11. A SWR 32 flare exception at the Lay West Unit CFP of 230 Mcfd, limited to 1,550 Mcfm, for casinghead gas produced from 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 Lay West Unit central flare point, from December 11, 2019 to December 10, 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.	Commingled Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Exception Start Date	Exception End Date	Maximum Flare Volume (Mcf/d & Mcfm)	Type of Gas
TBD	NA	Lay West Unit	Dec. 11, 2019	Dec.10, 2021	230 Mcfd 1,550 Mcfm	Casinghead Gas

Significant Locations:

Lay West Unit Flare Point: Lat. 28.797083° / Long. -98.231500°

Lay West Unit Access: Lat. 28.811911° / Long. -98.249158°

WGS 84