

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. OG-19-00001324**

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**APPLICATION OF GORDY OIL COMPANY (317150) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR CAZADORES-STATE LEASE, WELL NO. 1H, AND THE MILAGRO-STATE LEASE, WELL NO. 1H (COMMINGLING PERMIT NO. 9079), WOLFBONE (TREND AREA) FIELD, PECOS COUNTY, TEXAS, DISTRICT 08.**

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**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 January 15, 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. Gordy Oil Company (“Applicant” or “Gordy”) requests a two-year exception to 16 Tex. Admin. Code § 3.32 (“Statewide Rule 32”) for authority to flare a maximum daily volume of casinghead gas of 1,955 thousand cubic feet per day (“Mcf/d”), limited to 60,605 thousand cubic feet per month (“Mcfm”), from a flare point on the Cazadores-State Lease, Well No. 1H site (“Cazadores-State 1H Flare Point” or “Flare Point”) in the Wolfbone (Trend Area) Field, in Pecos County, Texas. The recommended flare point volumes and proposed expiration dates are listed in Attachment A.
2. The Cazadores-State 1H Flare Point combusts casinghead gas from the Cazadores-State Lease, Well No. 1H (“Cazadores Lease”) and the Milagro-State Lease Well No. 1H (“Milagro Lease”). These facilities are surface commingled under authority granted by commingling permit No. 08-9079.
3. Gordy submitted a request for hearing on the Statewide Rule 32 flaring exception on October 3, 2019, at least 21 days prior to the expiration date of the previous exception.
4. The Commission previously granted Gordy an administrative exception to Statewide Rule to flare 2,000 Mcfd of casinghead gas for each of the calendar days of the month from the Flare Point. The previous administrative exception expiration date for the Cazadores-State 1H Flare Point is November 14, 2019.

5. On December 31, 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 January 15, 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 January 15, 2020, as noticed. The Applicant appeared and presented evidence. No one appeared in protest. A post-hearing conference was held on May 8, 2020 via Zoom software.
6. The Cazadores-State 1H Flare Point is not connected to a gas sales line. Gordy owns its local, pre-existing gathering system connecting the Cazadores-State 1H Flare Point to its other assets in the area but has not secured an outgoing sales contract with a buyer due to stalled contract negotiations.
7. The requested Statewide Rule 32 exceptions to flare casinghead gas is necessary for Gordy to produce the recoverable hydrocarbons while a contract is negotiated with a gas buyer.
8. Applicant testified the maximum combined daily rate of casinghead production from the Cazadores Lease and the Milagro Lease is 1,955 MCF recorded on December 17, 2019.
9. Within a six-month period prior to the post-hearing conference, from September 2019 to February 2020, the following casinghead gas production was provided for the Cazadores Lease:
  - A. Average monthly casinghead gas production: 17,220 Mcfm
  - B. Average daily casinghead gas production: 565 Mcfd
  - C. Average monthly flaring: 17,220 Mcfm
  - D. Flared gas accounts for 100% of total gas production
  - E. Maximum Flared Volume: 22,631 Mcfm (December 2019)
10. Within a six-month period immediately prior to the post-hearing conference, from September 2019 to February 2020, the following casinghead gas production was provided for the Milagro Lease:
  - A. Average monthly casinghead gas production: 26,451 Mcfm
  - B. Average daily casinghead gas production: 867 Mcfd
  - C. Average monthly flaring: 26,451 Mcfm
  - D. Flared gas accounts for 100% of total gas production
  - E. Maximum Flared Volume: 36,704 Mcfm (September 2019)
11. Within a six-month period immediately prior to the post-hearing conference, from September 2019 to February 2020, the following casinghead gas production was provided for the Combined leases:
  - A. Average monthly casinghead gas production: 43,670 Mcfm

- B. Average daily casinghead gas production: 1432 Mcfd
- C. Average monthly flaring: 43,670 Mcfm
- D. Flared gas accounts for 100% of total gas production
- E. Maximum Flared Volume: 52,443 Mcfm (September 2019)

12. The leases produce sour gas up to 25,000 ppm hydrogen sulfide. Treatment of the highly sour gas is one of the ongoing contract negotiations with the buyer.
13. Applicant provided evidence tending to show a one-year exception is needed to secure a sales contract for the gas.
14. At the hearing, Applicant 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. 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. Applicant meets the requirements in Statewide Rule 32 to flare casinghead gas for the maximum amount listed in Attachment A, 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 Gordy Oil Company is **GRANTED** a one-year exception to Statewide Rule 32 for the Cazadores-State 1H Flare Point. Its request for authority to flare from the Cazadores-State 1H Flare Point for the dates specified, in the Wolfbone (Trend Area) Field, identified in 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 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 – FLARE EXCEPTION AUTHORITY**

<b>Exception No.</b>	<b>Commingle Permit No.</b>	<b>Lease Name, Individual Flare Stacks</b>	<b>Exception Start Date</b>	<b>Exception End Date</b>	<b>Maximum Flare Volume (Mcf) (Mcfm)</b>	<b>Casinghead Gas or Gas Well Gas</b>
41353	08-9079	Cazadores-State 1H	Nov. 15, 2019	Nov. 14, 2020	1,955 Mcfd 60,605 Mcfm	Casinghead gas

**Note:**      **Mcf** = Thousand Cubic Feet Per Day

**Mcfm** = Thousand Cubic Feet Per Month

**Significant Locations:**

**Cazadores-State 1H Flare Point:** Lat. 30.933493° / Long. -102.805496°

**North Entrance to the Tract:** Lat. 30.889704° / Long. -102.725305°

**South Entrance to the Tract:** Lat. 30.891581° / Long. -102.75383°