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RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0315176

APPLICATION OF SM ENERGY COMPANY (788997) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LOUDAMY 45 (40989) LEASE, WELL NO. 45-2, SPRABERRY (TREND AREA) FIELD, HOWARD COUNTY, TEXAS

OIL & GAS DOCKET NO. 08-0315177

APPLICATION OF SM ENERGY COMPANY (788997) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE LOUDAMY 45 (40989) LEASE, WELL NO. 45-1, SPRABERRY (TREND AREA) FIELD, HOWARD COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: November 27, 2018

CONFERENCE DATE: January 23, 2019

APPEARANCES: **REPRESENTING:**

APPLICANT: SM Energy Company

Devin McGinnis (Attorney)
James M. Clark (Engineer)

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

SM Energy Company (788997) ("SM") is requesting a Statewide Rule 32 flaring exception for the Loudamy 45 (40989) Lease, Well Nos. 45-1 and 45-2, in the Spraberry (Trend Area) Field, Howard County, Texas. Notice of the application was provided to offset operators in the field and no protests were received. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners")

recommend approval of a Statewide Rule 32 exception for Well Nos. 45-1 and 45-2 on the Loudamy 45 (40989) Lease as requested by SM.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(j) *Opportunity for hearing* states that an operator may request a hearing on any application for a flaring exception, or flaring exception renewal required by this section.

SM requests an exception to Statewide Rule 32 for its two flare points located on the Loudamy 45 (40989) Lease, for Well Nos. 45-1 and 45-2. SM requests permission to flare a maximum of 12,000 thousand cubic feet (MCF) per month of casinghead gas from the flare point associated with the Well No. 45-1 and 8,000 MCF per month from the flare point associated with the Well No. 45-2. SM requests permission to flare for up to 2 years from September 27, 2018 to September 27, 2020.

SM filed a hearing request on September 19, 2018. The prior administrative flaring exception, Flare Permit Nos. 31685 and 30205, authorized flaring for Well Nos. 45-1 and 45-2 from August 5, 2018 through September 26, 2018.

SM requests flaring during routine maintenance or sales line unavailability.

SM agreed that 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.

FINDINGS OF FACT

1. Notice of this hearing was given to offset operators in the subject field at least ten days prior to the date of hearing. There were no protests to the application.
2. On September 19, 2018, the Commission received a hearing request from SM for an exception to Statewide Rule 32 for flaring points associated with the Well Nos. 45-1 and 45-2.
3. SM requests an exception to Statewide Rule 32 in the application for a period of two years from September 27, 2018 through September 27, 2020 to flare a maximum of 12,000 MCF per month of casinghead gas for Well No. 45-1 and 8,000 MCF per month for Well No. 45-2.

4. Well No. 45-1 was flaring under the Flare permit No. 31685 that expired on September 26, 2018. Well No. 45-2 was flaring under the Flare Permit No. 30205 that expired on September 26, 2018.
5. SM agreed in writing or on the record that, 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.

CONCLUSIONS OF LAW

1. Notice was issued as required by applicable statutes and commission rules.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. The requested authority to flare casinghead gas satisfies the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h).
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and by agreement of the parties in writing or on the record, the Final Order can be final and effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 from September 27, 2018 through September 27, 2020 of maximum 12,000 MCF per month for the Well 45-1 and 8,000 MCF per month for Well No. 45-2, the Loudamy 45 (40989) Lease, in the Spraberry (Trend Area) Field, Howard County, Texas as requested by SM Energy Company.

Respectfully submitted,



Petar Buva
Technical Examiner



Kristi M. Reeve
Administrative Law Judge

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 08-0315176

**APPLICATION OF SM ENERGY COMPANY (788997) FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE LOUDAMY 45 (40989) LEASE, WELL NO. 45-2,
SPRABERRY (TREND AREA) FIELD, HOWARD COUNTY, TEXAS**

FINAL ORDER

The Commission finds that after statutory notice in the above-numbered docket heard on November 26, 2018, the Technical Examiner and Administrative Law Judge (collectively "Examiners") have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the Examiners' report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that SM Energy Company is hereby granted an exception to Statewide Rule 32 for the Loudamy 45 (40989) Lease, Well No. 45-2, in the Spraberry (Trend Area) Field, Howard County, Texas. SM Energy Company is hereby authorized to flare up to 8,000 MCF per day of casinghead gas per day from September 27, 2018 through September 27, 2020.

The authority is granted, provided all production is reported on the appropriate Commission forms. The operator shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the appropriate Commission required administrative Statewide Rule 32 Exception gas flaring fee for the facility.

Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the consent of the applicant, the Final Order is final and effective when a Master Order relating to this Final Order is signed.

Done this 23th day of January 2019.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated January 23, 2019)**