



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0315666

THE APPLICATION OF SN OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HARGIS LEASE, WELL NOS. 1H & 2H, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Clayton Hoover– Administrative Law Judge

HEARING DATE: December 19, 2018

CONFERENCE DATE: January 23, 2019

APPEARANCES: **REPRESENTING:**

APPLICANT: SN Operating, LLC

Tim George
Alicia Guzzetta.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

SN Operating, LLC ("SN") seeks an exception to Statewide Rule 32 for the Hargis Lease (Lease ID No. 18890), Well Nos. 1H & 2H, Zavala County, Texas to flare a maximum of 70 Mcf per day (Mcf/d) of casinghead gas. Notice was provided to offset operators and no protests were received. SN is requesting an exception to Statewide Rule 32 to flare 70 mcf/d of casinghead gas from November 1, 2018 through July 31, 2020. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exception to Statewide Rule 32 to flare a maximum of 70 mcf/d casinghead gas from November 1, 2018 through July 31, 2020.

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

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32(h) provides that an exception to flare natural gas in volumes greater than 50 Mcfd may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. SN received a final order (01-0302394) to flare a maximum of 1,200 Mcfd of casinghead gas from October 30, 2016, through October 30, 2018. SN filed a hearing request for an exception to Statewide Rule 32 on October 11, 2018, prior to the expiration of the final order.

There is a single flare point for the two wells completed on the 1,618.55 acre Hargis Lease. The cost to connect to the nearest pipeline is estimated to be \$491,707, with additional costs for gas treatment. The H₂S concentration of the gas is approximately 1,950 ppm. In considering the costs to connect to the pipeline and the worth of the remaining casinghead gas SN would lose \$271,965. Thus, the cost to connect to the nearest pipeline given the current casinghead gas production is uneconomic. SN expects the volume of casinghead gas to fall below 50 mcf/d by July 2020.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. SN received 2 year flaring exception by final order 01-0302394 to flare a maximum of 1,200 Mcfd of casinghead gas from October 30, 2016, through October 30, 2018.
- 3.
4. SN is requesting an exception to Statewide Rule 32 to flare 70 mcf/d casinghead gas from November 1, 2018 through July 31, 2020.
5. The nearest pipeline is a West Texas Gas, Inc. line, approximately 2.66 miles away.
6. The cost to connect to the nearest pipeline is estimated to be \$491,707, with additional costs for gas treatment.
7. The H₂S concentration of the gas is approximately 1,950 ppm.
8. Some of the gas produced is used on-lease.
9. Presently, the cost to connect to the nearest pipeline given the current casinghead gas production is uneconomic.

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CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on April 4, 2017.

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 for the Hargis Lease, Well Nos. 1H & 2H, to flare a maximum of 70 Mcfd of casinghead gas from November 1, 2018 through July 31, 2020.

Respectfully submitted,


Richard Eyster, P.G.
Technical Examiner


Clayton Hoover
Administrative Law Judge