

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00001399

APPLICATION OF SN OPERATING, LLC (797110) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE VALYN CLARA LEASE, WELL NOS. A1H-A3H/B1H-B3H, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS, DISTRICT 01

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 held on December 19, 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. SN Operating, LLC ("SN" or "Applicant") seeks a two-year exception to Statewide Rule 32 ("Statewide Rule 32") for authority to flare a maximum of 90 thousand cubic feet per day ("Mcf/d"), limited to 2,745 thousand cubic feet per month ("Mcfm") of casinghead gas from December 19, 2019 to December 18, 2021, from the flare stack located on the Valyn Clara Lease, Well Nos. A1H-A-3H/B1H-B3H ("Lease"), Briscoe Ranch (Eagleford) Field, Zavala County, Texas.
2. SN submitted a request for hearing on the Statewide Rule 32 exception flaring authority on October 10, 2019.
3. SN was previously granted a 180-day administrative exception to Statewide Rule 32 under Flare Permit No. 30318 to flare a maximum of 1,800 Mcfd from June 26, 2017 to December 18, 2017. Following the expiration of the administrative exception, SN was authorized by a Final Order under Oil and Gas Docket No. 01-0308430 to flare a maximum of 400 Mcfd from December 19, 2017 to December 19, 2019.
4. On November 15, 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 December 19, 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 December 19, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
5. The flare on the Valyn Clara A Pad serves the Valyn Clara A and B Pads, Well Nos. A1H, A2H, A3H, B1H, B2H, and B3H.
 6. A gas pipeline to take the Lease casinghead gas is unavailable. The nearest sales connection is approximately 6 miles from the Lease.
 7. SN conducted an economic analysis and production forecast for a proposed pipeline route from the Lease to its nearest sales connection. The cost estimate to connect to the sales line is \$1,373,884, which exceeds the gas revenue from the Lease's remaining reserves, making it uneconomical to construct the 6-mile long pipeline from the Lease to the sales connection.
 8. Based on production data and historical flaring rates, the estimated volume of casinghead gas to be flared from the Lease would be a maximum of 90 Mcfd, limited to 2,745 Mcfm, from December 19, 2019 through December 18, 2021.
 9. Based on Lease production data, casinghead gas production from the Lease will decline to below 50 Mcfd within the requested two-year exception period.
 10. The requested Statewide Rule 32 exception to flare a maximum of 90 Mcfd of casinghead gas is necessary for SN to produce the recoverable oil from the Lease.
 11. At the hearing, SN 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. SN has met the requirements in Statewide Rule 32 to flare casinghead gas as reflected on 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 SN Operating, LLC (797110) is granted a two-year exception to Statewide Rule 32. Its request for authority to flare casinghead gas from the Valyn Clara Lease ("Lease"), Well Nos. A1H-A-3H/B1H-B3H, Briscoe Ranch (Eagleford) Field, Zavala County, Texas, as reflected in attached Attachment A is APPROVED.

This authority is granted, provided all production is reported on the appropriate Commission forms. SN 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 in Attachment A. 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 March 4, 2020.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated March 4, 2020)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Exception No.	Commingle Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Exception Start Date	Exception End Date	Maximum Flare Volume (Mcf/d & Mcfm)	Casinghead Gas or Casinghead Gas
30318	820525 820526 820529 819719 819720 819721	Valyn Clara Lease	December 19, 2019	December 18, 2021	90 Mcfd, 2,745 Mcfm	Casinghead Gas

Note:

Mcf/d = Thousand Cubic Feet Per Day

Mcfm = Thousand Cubic Feet Per Month