

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. OG-19-00001397**

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**APPLICATION OF SILVER CREEK PERMIAN OP CO, LLC (781921) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BLACK HAWK LEASE, WELL NO. 2H AND CRAZY HORSE LEASE, WELL NO. 2H, AND GERONIMO LEASE, WELL NO. 3H, COCHRAN (SAN ANDRES) FIELD, COCHRAN COUNTY, TEXAS, DISTRICT 8A**

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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 December 5, 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. Silver Creek Permian OP CO, LLC (“Silver Creek” or “Applicant”) seek a two-year exception to 16 Tex. Admin. Code § 3.32 (“SWR 32” or “Statewide Rule 32”) for authority to flare 400 thousand cubic feet per day (“Mcf/d”), limited to 10,000 thousand cubic feet per month (“Mcfm”) of casinghead gas at the Black Hawk No. 2H Flare Point (“Black Hawk Flare Point”) from the Black Hawk Lease No. 2H (“Black Hawk No. 2H Lease”) in the Cochran (San Andres) Field, Cochran County, Texas. Additionally, Silver Creek requests a two-year exception to SWR 32 for authority to flare 400 Mcfd, limited to 10,000 Mcfm for casinghead gas at the Crazy Horse No. 2H Lease Flare Point (“Crazy Horse Flare Point”) in the Cochran (San Andres) Field, Cochran County, Texas. Additionally, Silver Creek requests a two-year exception to SWR 32 for authority to flare 425 Mcfd, limited to 11,000 Mcfm for casinghead gas at the Geronimo No. 3H Lease Flare Point (“Crazy Horse Flare Point”) in the Cochran (San Andres) Field, Cochran County, Texas (all collectively referred to as “the Facilities”). The request is tabulated in Attachment A.
2. Silver Creek submitted a request for hearing on the Statewide Rule 32 exception request on October 10, 2019.
3. Silver Creek was previously granted administrative exception Statewide Rule 32 to flare a maximum casinghead gas volume of 250 Mcfd for the calendar days of the month at the Black Hawk Flare Point. This administrative exception expired July 3, 2019. Silver Creek was also granted exception to SWR 32 by final order (Oil and Gas Docket No. 8A-0320478) to flare a maximum casinghead gas volume of 400 Mcfd for the calendar days of the month, which expired on Oct. 31, 2019.

4. Silver Creek was previously granted administrative exception Statewide Rule 32 to flare a maximum casinghead gas volume of 250 Mcfd for the calendar days of the month at the Geronimo Flare Point. This administrative exception expired July 3, 2019. Silver Creek was also granted exception to SWR 32 by final order (Oil and Gas Docket No. 8A-0320478) to flare a maximum casinghead gas volume of 1,000 Mcfd for the calendar days of the month, which expired on Oct. 31, 2019.
5. Silver Creek was previously granted administrative exception Statewide Rule 32 to flare a maximum casinghead gas volume of 500 Mcfd for the calendar days of the month at the Crazy Horse Flare Point. This administrative exception expired November 30, 2019.
6. On November 4, 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 5, 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 5, 2019 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
7. The Black Hawk No. 2H and the Geronimo No. 3H Leases are currently connected to a gas sales pipeline operated by Targa Midstream Services LP (“Targa”). The Crazy Horse No. 2H is not connected.
8. Silver Creek is requesting flaring authority at the Facilities to prevent pipeline back pressure from wasting reservoir drive energy and thereby reducing ultimate recoveries of these wells. Additionally, selling the gas has resulted in a net financial loss.
9. Silver Creek provided evidence from its nearby Geronimo No. 3H that the producing gas-oil ratio (“GOR”) would increase from 3,000 standard cubic feet per stock tank barrel (“Scf/Stb”) to approximately 4,500 Scf/Stb when selling gas via pipeline. The pipeline adds 50 psi of backpressure to the wellhead.
10. Silver Creek provided the following evidence in the form of meter statements from its nearby Wyatt Earp #1H well:
  - August 2019: 4,434.71 Mcf sold at a loss of \$4,947.79 (-\$1.12/Mcf)
  - September 2019: 4,810.12 Mcf sold at a loss of \$4,674.96 (-\$0.97/Mcf)
  - October 2019: 836.46 Mcf sold at a loss of \$813.84 (-\$0.97/Mcf)

11. Over the last six months, Silver Creek provided production plots from the Black Hawk No. 2H to demonstrate the highest daily volume of produced gas was approximately 400 Mcfd with an average daily volume of approximately 350 Mcfd. Silver Creek provided production plots from the Crazy Horse No. 2H showing a peak daily production approximately 325 Mcfd and an average production of approximately 300 Mcfd. Silver Creek provided production plots from the Geronimo #3H showing a peak daily production approximately 550 Mcfd and an average production of approximately 400 Mcfd.
12. Silver Creek provided the following evidence of a loss of recoverable reserves attributed to selling gas at the Black Hawk No. 2H:
  - a) If the well is produced while flaring the gas the well has remaining recovery of 353,990 barrels of oil and a net present value discounted at 10% of \$2,625,050.
  - b) If the well sells gas the well has a remaining recovery of 348,250 barrels of oil and a net present value discounted at 10% of \$2,322,780.
  - c) The selling of gas at negative revenues would result in a waste of 5,740 barrels of recoverable oil due an earlier abandonment at a higher economic production limit.
13. Silver Creek provided the following evidence of a loss of recoverable reserves attributed to selling gas at the Crazy Horse No. 2H:
  - a) If the well is produced while flaring the gas the well has remaining recovery of 206,290 barrels of oil and a net present value discounted at 10% of \$1,501,040.
  - b) If the well sells gas the well has a remaining recovery of 201,700 barrels of oil and a net present value discounted at 10% of \$1,344,130.
  - c) The selling of gas at negative revenues would result in a waste of 4,590 barrels of recoverable oil due an earlier abandonment at a higher economic production limit.
14. Silver Creek provided the following evidence of a loss of recoverable reserves attributed to selling gas at the Geronimo No. 3H:
  - a) If the well is produced while flaring the gas the well has remaining recovery of 118,220 barrels of oil and a net present value discounted at 10% of \$633,890.

- b) If the well sells gas the well has a remaining recovery of 108,910 barrels of oil and a net present value discounted at 10% of \$442,650.
  - c) The selling of gas at negative revenues would result in a waste of 9,310 barrels of recoverable oil due an earlier abandonment at a higher economic production limit.
15. The requested Statewide Rule 32 exception to flare various volumes of casinghead gas (depicted on Attachment A) at the Black Hawk Point, Crazy Horse Flare Point, and Geronimo Flare Point are necessary for Silver Creek to produce the recoverable oil from the leases.
16. At the hearing, Silver Creek agreed on the record that this Final Order 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. Silver Creek has met the requirements in Statewide Rule 32 to flare a maximum of 400 thousand cubic feet per day ("Mcf/d"), limited to 10,000 thousand cubic feet per month ("Mcfm") of casinghead gas and the flaring of such gas is necessary from the Black Hawk No. 2H. Silver Creek has also met the requirements in Statewide Rule 32 to flare a maximum of 400 Mcfd, limited to 10,000 Mcfm of casinghead gas and the flaring of such gas is necessary from the Crazy Horse No. 2H. Silver Creek has also met the requirements in Statewide Rule 32 to flare a maximum of 425 Mcfd, limited to 11,000 Mcfm of casinghead gas and the flaring of such gas is necessary from the Geronimo No. 3H.
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 Silver Creek Permian OP CO, LLC (781921) (“Silver Creek” or “Applicant”) is granted a two-year exception to Statewide Rule 32. Its request for authority to flare various daily maximum volumes of casinghead gas from the subject leases, as identified in attached 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**

Exception No.	Commingle Permit No.	Flare Point Name	Exception Start Date	Exception End Date	Maximum Flare Volume (MCF/Day) (MCF/Month)	Comments
38469	NA	Black Hawk #2H	11/1/2019	10/31/2021	400 Mcfd 10,000 Mcfm	Casinghead Gas
41284	NA	Crazy Horse #2H	12/1/2019	11/30/2021	400 Mcfd 10,000 Mcfm	Casinghead Gas
38468	NA	Geronimo #3H	11/1/2019	10/31/2021	425 Mcfd 11,000 Mcfm	Casinghead Gas

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

**Mcfm = Thousand Cubic Feet Per Day**

Black Hawk No. 2H Wellhead Location (flare point is within 100 ft of this surface location):

**Latitude: 33.610278°**

**Longitude: -103.035291°**

Crazy Horse No. 2H Wellhead Location (flare point is within 100 ft of this surface location):

**Latitude: 33.598618°**

**Longitude: -103.017050°**

Geronimo No. 3H Wellhead Location (flare point is within 100 ft of this surface location):

**Latitude: 33.610497°**

**Longitude: -103.041907°**