



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 01-0301021**

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**THE APPLICATION OF SN OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE JMH ZAV LEASE, WELL NOS. 1HB AND 2HB, AMMANN (BUDA) FIELD, ZAVALA COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Marshall Enquist – Administrative Law Judge

**HEARING DATE:** September 14, 2016  
**CONFERENCE DATE:** October 25, 2016

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:** SN Operating, LLC

Dale Miller

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

SN Operating, LLC ("SN Operating") requests a two-year exception to Statewide Rule 32 for the JMH ZAV Lease, Well Nos. 1HB and 2HB, Ammann (Buda) Field, Zavala County, Texas. Notice was provided to offset operators and no protests were received. The applications are unopposed, and the Technical Examiner and the Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide 32 for the JMH ZAV Lease, Well Nos. 1HB and 2HB.

#### 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 an exception, or exception renewal required by this section. On July 6, 2016, the Commission received a hearing request from SN Operating for an exception renewal to Statewide Rule 32, for the JMH ZAV Lease, Well Nos. 1HB and 2HB (Lease No. 01-18370). Both wells are currently connected to an Access MLP Operating, L.L.C.

pipeline. SN Operating has requested a hearing for an exception to Statewide Rule 32 for emergency flaring in the event there is a pipeline disruption.

SN Operating took over the JMH ZAV Lease, Well Nos. 1HB and 2HB from EXCO Operating, Company, LP ("EXCO") on April 1, 2016. On March 25, 2015, EXCO was granted a two-year exception to Statewide Rule 32 for the two subject wells/flare points in Final Order No. 01-0297972, effective October 24, 2015 through August 19, 2017. Exceptions to Statewide Rule 32 are not transferrable upon a change of operatorship.<sup>1</sup> Operators shall have 90 days from the date of Commission approval of a transfer of operatorship to review existing exceptions, and if continuation of the exception is needed, the existing exception and existing authority shall remain in effect during the 90-day review period. SN Operating requested and received an exception to Statewide Rule 32 for the JMH ZAV Lease, Well No. 1HB (Permit No. 27152), to flare a maximum of 1,500 MCF per day, and for the JMH ZAV Lease, Well No. 2HB (Permit No. 27151), to flare a maximum of 400 MCF per day. Each exception was granted for a period of 90 days (effective April 1, 2016 to July 30, 2016). Prior to the expiration of the 90-day permits, SN Operating requested a hearing, and by rule, is authorized to continue to operate under the exiting authority pending final commission action on the application.<sup>2</sup>

SN Operating is requesting an exception to Statewide Rule 32 for a period of two years (effective July 31, 2016, and expire July 30, 2018) for the JMH ZAV Lease, Well Nos. 1HB and 2HB. SN Operating requests to flare a maximum volume of 1,500 MCF per day for the JMH ZAV Lease, Well No. 1HB flare point (Lat: 28.7074, Long: -99.6355), and to flare a maximum volume of 400 MCF per day for the JMH ZAV Lease, Well No 2HB flare point (Lat: 28.7097, Long: -99.6559). The subject wells are connected to a pipeline, and the request to flare is only in the event of an emergency due to system upsets, plant or pipeline disruptions.

### **FINDINGS OF FACT**

1. 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 Operating requests a two-year exception to Statewide Rule 32 for the JMH ZAV Lease, Well Nos. 1HB and 2HB, Ammann (Buda) Field, Zavala County, Texas.
3. SN Operating took over the JMH ZAV Lease, Well Nos. 1HB and 2HB from EXCO Operating, Company, LP ("EXCO") on April 1, 2016.

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<sup>1</sup> T.A.C. §3.32 (h) (7).

<sup>2</sup> *Id.*

- a. EXCO had been granted a two-year exception to Statewide Rule 32 for the two subject wells/flare points in Final Order No. 01-0297972 on March 25, 2015, effective October 24, 2015 through August 19, 2017;
  - b. Exceptions to Statewide Rule 32 are not transferrable upon a change of operatorship. Operators shall have 90 days from the date of Commission approval of a transfer of operatorship to review existing exceptions, and if continuation of the exception is needed. The existing exception and existing authority shall remain in effect during the 90-day review period;
  - c. SN Operating requested and received an exception to Statewide Rule 32 for the JMH ZAV Lease, Well No. 1HB (Permit No. 27152), to flare a maximum of 1,500 MCF per day, and for the JMH ZAV Lease, Well No. 2HB (Permit No. 27151), to flare a maximum of 400 MCF per day. Each exception was granted for a period of 90 days (effective April 1, 2016 to July 30, 2016);
  - d. Prior to the expiration of the 90-day permits, SN Operating requested a hearing; and
  - e. SN Operating is authorized to continue to operate under the exiting authority pending final commission action on the application.
4. SN Operating is requesting an exception to Statewide Rule 32 for a period of two years (effective July 31, 2016, to July 30, 2018) for the JMH ZAV Lease, Well Nos. 1HB and 2HB for emergency flaring in the event there is a system upset, pipeline, or plant disruption.
  5. SN Operating requests to flare a maximum volume of 1,500 MCF per day for the JMH ZAV Lease, Well No. 1HB flare point (Lat: 28.7074, Long: -99.6355), and to flare a maximum volume of 400 MCF per day for the JMH ZAV Lease, Well No 2HB flare point (Lat: 28.7097, Long: -99.6559).

### **CONCLUSIONS OF LAW**

1. 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) (4) provides for an exception for more than 180 days and for volumes greater than 50 Mcf per day.

### EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant SN Operating, LLC an exception to Statewide Rule 32 to flare a maximum volume of 1,500 MCF per day for the JMH ZAV Lease, Well No. 1HB flare point (Lat: 28.7074, Long: -99.6355), and an exception to Statewide Rule 32 to flare a maximum volume of 400 MCF per day for the JMH ZAV Lease, Well No 2HB flare point (Lat: 28.7097, Long: -99.6559 ). The exceptions to Statewide Rule 32 will be effective from July 31, 2016, to July 30, 2018.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Marshall Enquist  
Administrative Law Judge