

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 8A-0308615

APPLICATION OF STEWARD ENERGY II, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE GREASY BEND 584 (70376) LEASE AND THE EVEN FLOW 584 LEASE, DRILLING PERMIT NOS. 827732 AND 826789, PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

HEARD BY: Robert Musick – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: March 12, 2018

CONFERENCE DATE: April 24, 2018

APPEARANCES:

APPLICANT:

James M. Clark, P.E.

REPRESENTING:

Steward Energy II, LLC

REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Steward Energy II, LLC (“Steward”) seeks a two-year exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare casinghead gas from the Greasy Bend 584 and Even Flow 584 leases, Drilling Permit Nos. 827732 and 826789, respectively, Platang (San Andres) Field, Yoakum County, Texas.

Steward is currently selling produced gas through a natural gas pipeline connection but is seeking flaring authorization to address sales pipeline capacity limitations. The flaring authorization is a measure to ensure legal disposition of casinghead gas produced from the two leases.

The application is not protested and the Technical Examiner and Administrative Law Judge (collectively, “Examiners”) recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

The Greasy Bend 584 and Even Flow 584 leases ("Leases"), consists of 320 acres each, with two horizontal wells on each lease. Casinghead gas produced from three of the four wells, identified as Greasy Bend 584 Lease, Well No. 1H and Even Flow 584 Lease, Well Nos. 3H and 4H, are connected to the Greasy Bend 584 lease, Well No.1H tank battery and associated flare point. The fourth well, the Greasy Bend 584 lease, Well No.2H, is connected to its own associated tank battery and flare point and is not subject to this exception request to Statewide Rule 32 to flare casinghead gas.

Testimony established that casinghead gas produced from the Leases are sold via a sales pipeline, but the sales pipeline capacity limitations have caused Steward to flare up to 700 thousand cubic feet per day ("MCFPD") of gas. Steward was authorized through Commission Permit No. 32068 to flare gas from a commingled flare point for a period of 90 days expiring on January 14, 2018.

Steward's testimony indicates the Platang Field is an oil reservoir and the casinghead gas accounts for a small percentage of the overall revenue stream. The casinghead gas from the Leases is under a dedicated contract for delivery to a gas gathering system operated by Targa Midstream Service, LLC. Due to the rapid development of this play, the maximum line pressure of the Targa system has been reached and Targa cannot accept additional gas. To sell its produced gas, Steward has signed a contract with Stakeholder Midstream, LLC which is scheduled to come on line by the 4th quarter of 2018.

On December 21, 2017, Steward requested a hearing to extend the flaring authority under Statewide Rule 32 to flare casinghead gas from a flare point associated with the Greasy Bend 584 Lease, Well No. 1H tank battery. Without a Final Order authorizing the flaring, Steward will be required to shut the wells in, which will cause waste and possible harm to the reservoir. A Notice of Hearing was issued by the Commission on February 7, 2018 to adjacent operators. A hearing was held on March 12, 2018. Steward is seeking continued authorization from the Commission for a two-year period to flare up to 800 MCFPD of gas from the flare point associated with the Greasy Bend 584 Lease, Well No. 1H.

The flaring authorization is a measure to ensure legal disposition of all casinghead gas. The Examiners recommend the exception be granted.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. There were no protests to this application.
2. The Greasy Bend 584 and Even Flow 584 leases, consists of 320 acres each, with two horizontal wells on each lease. The wells are in the Platang (San Andres) Field, Yoakum County, Texas.

3. Casinghead gas produced from three of the four wells, identified as Greasy Bend 584 Lease, Well No. 1H and Even Flow 584 Lease, Wells Nos. 3H and 4H, are connected to the Greasy Bend 584 Lease, Well No. 1H tank battery and flare point.
4. Steward was authorized through Administrative Permit No. 32068 to flare gas from a commingled flare point for a period of 90 days expiring on January 14, 2018.
5. Steward requested a hearing to extend the flaring authority more than 21 days before the administrative permit expired. A Hearing was held on March 12, 2018.
6. Steward is requesting to flare a maximum of 800 MCFPD from the flare point from the date of expiration of the administrative Permit No. 32068 for a period of two years. The proposed flaring authorization will be from January 15, 2018 through January 14, 2020.
7. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from the Leases.
8. The rapid development of this play has caused the maximum line pressure of the Targa gathering system to be attained, therefore Targa cannot accept additional gas.
9. Without a Final Order authorizing the flaring, Steward will be required to shut the wells in causing waste and possible harm to the reservoir.
10. In the hearing the Applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code §81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §1.43 and §1.45.
3. Steward Energy II, LLC has met the requirements in 16 Tex. Admin. Code §3.32 for an exception to the limitations in that section regarding the requested authority to flare casinghead gas produced from the two leases.
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 parties have waived right to file a Motion for Rehearing and this Final Order is effective on the date the Master Order relating to the Final Order is signed.**

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter into an order granting the application of Steward Energy II, LLC to flare up to 800 MCFPD of gas from the date of expiration of the administrative Permit No. 32068 for a period of two years. The proposed authorization will be from January 15, 2018 through January 14, 2020.

Respectfully submitted,



Robert Musick
Technical Examiner



Kristi M. Reeve
Administrative Law Judge