

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 8A-0308700

APPLICATION OF STEWARD ENERGY II, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE UNDER THE BRIDGE 452 LEASE, WELL NO. 3H (DP NO. 828367) AND THE UNDER THE BRIDGE 452 A LEASE, WELL NO. 4H (DP NO. 828446), 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 Under the Bridge 452 Lease, Well No. 3H (Drilling Permit No. 828367), and Under the Bridge 452 A Lease, Well No. 4H (Drilling Permit No. 828446), Platang (San Andres) Field, in 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 Under the Bridge 452 and 452 A 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

Casinghead gas produced at Under the Bridge 452 and 452 A leases are connected to a flare point located on an adjacent lease, the Banjo Bill Lease. The flare point connects a total of four wells: Under the Bridge 452 Lease, Well No. 3H; Under the Bridge 452 A Lease, Well No. 4H; the Banjo Bill 452 Well No. 2H; and, the Banjo Bill 452 A Well No. 1H.

The comingled flare point is already permitted (Flare Permit No. 32014) to flare up to 3,000 thousand cubic feet per day ("MCFPD") from the Banjo Bill Lease wells through November 12, 2019 pursuant to a final order in Docket 8A-0307226. This request is seeking flaring authority for Under the Bridge 452 and 452 A leases which are comingled (Surface Commingling Permit No. 5471) with the Banjo Bill Lease.

Testimony established that casinghead gas produced from Under the Bridge 452 and 452 A leases are sold via a sales pipeline, but the sales pipeline capacity limitations have caused Steward to flare up to 1,000 MCFPD of gas. Steward was authorized through Commission Permit No. 32408 for the leases to flare a maximum of 1,000 MCFPD of casinghead gas from a comingled flare point for a period of 90 days expiring on January 26, 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 Under the Bridge 452 and 452 A leases is under a dedicated contract for delivery to a gas gathering system operated by Targa Midstream Service, LLC and ultimately to Targa's gas plants for processing. 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. The gathering line pressure constraints results in Steward needing to flare a portion of the produced gas each month. To sell all the 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 January 12, 2017, Steward (P-5 Operator No. 819609) requested a hearing to extend the flaring authority under Statewide Rule 32 to flare casinghead gas from Under the Bridge 452 and 452 A leases wells that share a common flare point with the Banjo Bill 452 and 452 A Lease. Without a Final Order authorizing the flaring, Steward will be required to shut the wells in causing 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. No protest was filed. Steward is seeking continued authorization from the Commission for a two-year period to flare a maximum of 2,500 MCFPD from January 27, 2018 through January 26, 2020.

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 Under the Bridge 452 and 452 A leases have one horizontal well per lease. The wells are in the Platang (San Andres) Field, Yoakum County, Texas.
3. 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. Testimony established that casinghead gas produced from Under the Bridge 452 and 452 A leases are sold via a sales pipeline, but the sales pipeline capacity limitations have caused Steward to flare gas.
4. Casinghead gas produced at Under the Bridge 452 and 452 A leases are connected to a flare point located on an adjacent lease, the Banjo Bill Lease. The flare point connects a total of four wells: Under the Bridge 452 Lease, Well No. 3H; Under the Bridge 452 A Lease, Well No. 4H; the Banjo Bill 452 No. 2H Well; and, the Banjo Bill 452 A No. 1H Well.
5. Steward was authorized through Commission Permit No. 32408 for Under the Bridge 452 and 452 A leases to flare a maximum of 1,000 MCFPD of casinghead gas from a commingled flare point for a period of 90 days expiring on January 26, 2018.
6. A hearing was held on March 12, 2018. Steward is seeking continued authorization from the Commission for a two-year period to flare a maximum of 2,500 MCFPD from January 27, 2018 through January 26, 2020.
7. The flaring authorization is a measure to ensure legal disposition of all casinghead gas produced from Under the Bridge 452 and 452 A leases.
8. Without a Final Order authorizing the flaring, Steward will be required to shut the wells in causing waste and possible harm to the reservoir.
9. 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 Under the Bridge 452 and 452 A 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 2,500 MCFPD of gas from the date of expiration of the administrative Permit No. 32408 for a period of two years. The proposed authorization will be from January 27, 2018 through January 26, 2020.

Respectfully submitted,



Robert Musick
Technical Examiner



Kristi M. Reeve
Administrative Law Judge