



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 8A-0314311

APPLICATION OF STEWARD ENERGY II, LLC (819609) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PEARL (70431) AND PEARL 6540A (DRILLING PERMIT NO. 835247), COMMINGLING PERMIT NO. 5496, SABLE (SAN ANDRS) FIELD, YOAKUM COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Jennifer N. Cook – Administrative Law Judge

HEARING DATE: October 22, 2018

CONFERENCE DATE: December 11, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT: Steward Energy II, LLC

James M. Clark (Consulting Engineer)

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Steward Energy II, LLC (819609) seeks a Statewide Rule 32 flaring exception renewal for the Pearl / Pearl 6540A commingled flare point (Surface Commingling Permit No. 8A-5496, Flare Permit No. 34091), Sable (San Andres) Field, in Yoakum County, Texas. Notice of the application was provided to offset operators in the field and no protests were received. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of Statewide Rule of a Statewide Rule 32 exception for Pearl / Pearl 6540A (70431) Lease as requested by Steward Energy II, LLC ("Steward").

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.

The Commission received a hearing request for a Statewide Rule 32 exception renewal for the Pearl / Pearl 6540A Commingled Flare Point on July 6, 2018 to consider a two-year extension. Steward was granted the Flaring Permit No. 34091, effective May 2, 2018 to July 31, 2018 to flare a maximum of 200 thousand cubic feet ("MCF") per day of casinghead gas for the Pearl / Pearl 6540A commingled flare point.

Currently, the flare stack serves the Pearl Lease and Pearl 6540A No. 4H allocation well, which surface commingle on the Pearl Lease (Commingling Permit No. 8A-5496). Steward seeks authorization to flare 200 MCF per day from the Pearl / Pearl 6540A commingled flare point from August 1, 2018 through August 1, 2020.

No gas has been sold from this flare point to date. Steward has signed a contract with Stakeholder Midstream, LLC to install a gas sales line to this facility and a gas plant in order to sell the gas that is presently being flared. The Stakeholder gas gathering system and gas plant are expected to be in operation by the 4th Quarter of 2018. Once the Stakeholder gathering system and gas plant are operational, flaring from the Pearl / Pearl 6540A commingled flare point is expected to be limited to occasional system upsets when the gas plant or lines are down.

Steward agreed that 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.

FINDINGS OF FACT

1. Notice of this hearing was given to offset operators in the subject field at least ten days prior to the date of hearing. There were no protests to the application.
2. The Commission received a hearing request for a Statewide Rule 32 exception renewal for the Pearl / Pearl 6540A commingled flare point on July 6, 2018 to consider a two-year extension of the current flare permit.
3. Steward requests an exception to Statewide Rule 32 for the Pearl / Pearl 6540A commingled flare point for a period of two years from August 1, 2018 to August 1, 2020 to flare a maximum of 200 MCF per day of casinghead gas.
4. Steward was granted Permit No. 34091, effective May 2, 2018 to July 31, 2018 to flare a maximum of 200 MCF per day of casinghead gas for the Pearl / Pearl 6540A commingled flare point.

5. Steward agreed in writing or on the record that, 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.

CONCLUSIONS OF LAW

1. Notice was issued as required by applicable statutes and commission rules.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. The requested authority to flare casinghead gas satisfies the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32 (h).
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 Final Order can be final and effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 from August 1, 2018 to August 1, 2020 of maximum 200 MCF per day for the Pearl / Pearl 6540A commingled flare point (Surface Commingling Permit No. 8A-5496, Flare Permit No. 34091), Sable (San Andres) Field, in Yoakum County, Texas as requested by Steward Energy II, LLC.

Respectfully submitted,



Petar Buva
Technical Examiner



Jennifer N. Cook
Administrative Law Judge