



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0316029

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**THE APPLICATION OF SMITH ENERGY OPERATING COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE ESKIMO PIE 4 (70397) LEASE, SMITH (SPRAYBERRY) FIELD, LYNN COUNTY, TEXAS**

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**HEARD BY:** Richard Eyster, P.G. – Technical Examiner  
Clayton Hoover – Administrative Law Judge

**REVIEWED BY:** Kristi M. Reeve – Administrative Law Judge

**HEARING DATE:** December 21, 2018

**CONFERENCE DATE:** January 26, 2019

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

**APPLICANT:** Smith Energy Operating Company

Dale Miller

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Smith Energy Operating Company ("Smith") seeks an exception to Statewide Rule 32 for the Eskimo Pie 4 (70397) Lease, Smith (Sprayberry) Field, Lynn County, Texas to flare casinghead gas. Notice was provided to offset operators and no protests were received. Smith is requesting an exception to Statewide Rule 32 to flare 100 mcf/d of casinghead gas from November 29, 2018 through November 28, 2020. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exception.

#### **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(h) provides that an exception to flare natural gas in volumes greater than 50 mcf/d may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule

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32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

Smith received an administrative permit (Permit No. 36216) to flare a maximum of 100 mcf/d of casinghead gas from June 1, 2018, through November 28, 2018. Smith filed for a hearing to request an exception to Statewide Rule 32 on October 25, 2018, prior to the expiration of the permit.

There is a single flare point for the two wells completed on the Eskimo Pie 4 Lease. The cost to connect to the nearest pipeline, which is 34 miles from the flare stack, is estimated to be \$3,261,456. In considering the costs to connect to the pipeline and the worth of the remaining casinghead gas Smith stated that they would lose \$3,108,003. Thus, the cost to connect to the nearest pipeline given the current casinghead gas production is uneconomic at this time. Smith contends that without additional flaring authority they would have to shut in the wells which may harm the wells and damage the reservoir resulting in the waste of hydrocarbons.

**FINDINGS OF FACT**

1. Proper 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. Smith received an administrative permit (Permit No. 36216) to flare a maximum of 100 mcf/d of casinghead gas from June 1, 2018, through November 28, 2018.
3. Smith is requesting an exception to Statewide Rule 32 to flare 100 mcf/d casinghead gas from November 29, 2018 through November 28, 2020.
4. The nearest pipeline is approximately 34.8 miles from the flare point.
5. Presently, the cost to connect to the nearest pipeline given the current casinghead gas production is uneconomic.
6. In considering the costs to connect to the pipeline and the worth of the remaining casinghead gas Smith stated that they would lose \$3,108,003.
7. Without additional flaring authority they would have to shut in the wells on this lease which may harm the wells and damage the reservoir resulting in the waste of hydrocarbons.

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**CONCLUSIONS OF LAW**

1. Proper 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) provides for an exception to Statewide Rule 32.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is 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 Smith Energy Operating Company an exception to Statewide Rule 32 for the Eskimo Pie 4 (70397) Lease, Smith (Sprayberry) Field, Lynn County, Texas, to flare a maximum of 100 mcf/d of casinghead gas from November 29, 2018 through November 28, 2020.

Respectfully submitted,



Richard Eyster, P.G.  
Technical Examiner



Kristi M. Reeve  
Administrative Law Judge