

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 8A-0317985**

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**APPLICATION OF STEWARD ENERGY II, LLC (819609) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS**

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**FINAL ORDER**

The Railroad Commission of Texas ("Commission") finds that after notice in the above-docketed case was provided to all parties entitled to notice, a hearing was heard on April 4, 2019 by a Commission Technical Examiner and Administrative Law Judge. This proceeding was duly submitted to the Commission at a conference held in its offices in Austin, Texas. After considering this matter, the Commission adopts the following findings of fact and conclusions of law.

**Findings of Fact**

1. Steward Energy II, LLC ("Steward" or "Applicant") seeks three exceptions to Statewide Rule 32 ("Statewide Rule 32") for authority to flare a maximum of 1,200, 1,600 and 400 thousand cubic feet per day ("Mcf"), respectively, of casinghead gas from February 23, 2019, to February 23, 2021, from the Central Flare Points associated with the Great Hambino 466 Lease / Hercules 466 Lease Central Flare Point, the Smokin Train 520 Lease / Sandman 470 Lease Central Flare Point, and the Browning State Lease / Savage 551 Lease Central Flare Point in the Platang (San Andres) Field, Yoakum County, Texas.
2. Steward submitted a request for hearing on the Statewide Rule 32 exception flaring authority application on February 1, 2019.
3. Steward was granted Permit No. 29315, effective August 30, 2017 to August 30, 2019 to flare a maximum of 2,000 Mcfd of casinghead gas from the Smokin Train 520 Lease. Steward was granted Permit No. 37742, effective November 24, 2018 to February 22, 2019 to flare a maximum of 1,000 Mcfd of casinghead gas from the Sandman 470 Lease. The Smokin Train 520 Lease and Sandman 470 Lease are now surface commingled pursuant to Surface Commingling Permit No. 8A-5489.
4. Steward was granted Permit No. 35080, effective June 3, 2018 to September 1, 2018 to flare a maximum of 350 Mcfd of casinghead gas from the Great Hambino 466 Lease. Steward was granted Permit No. 37741, effective November 24, 2018 to February 22, 2019 to flare a maximum of 1,000 Mcfd of casinghead gas from the Great Hambino 466 Lease / Hercules 466 Lease commingled flare point. The

Great Hambino 466 Lease and Hercules 466 Lease are surface commingled pursuant to Surface Commingling Permit No. 8A-5513.

5. Steward was granted Permit No. 30778, effective August 30, 2017 to August 30, 2019 to flare a maximum of 100 Mcfd of casinghead gas from the Browning State Lease. Steward was granted Permit No. 37740, effective November 24, 2018 to February 22, 2019 to flare a maximum of 200 Mcfd of casinghead gas from the Savage 551 Lease. The Browning State Lease and Savage 551 Lease are now surface commingled pursuant to Surface Commingling Permit No. 8A-5508.
6. On March 8, 2019 the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of April 4, 2019. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on April 4, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
7. Great Hambino 466 Lease / Hercules 466 Lease (Commingling Permit No. 8A-5513) and the Smokin Train 520 Lease/ Sandman 470 Lease (Commingling Permit No. 8A-5489) are connected to a pipeline. Gas plant inability to take the full volumes of gas on a regular basis necessitate flaring excess gas.
8. The Great Hambino 466 Lease / Hercules 466 Lease (Commingling Permit No. 8A-5513) and the Smokin Train 520 Lease / Sandman 470 Lease (Commingling Permit No. 8A-5489) require authority to flare casinghead gas due to gas plant operational inability to take the full volume of gas produced from these leases. The gas plant has had numerous problems since commencing operations including insufficient inlet compression, amine treater problems and treated-gas filtration problems.
9. The Browning State Lease / Savage 551 Lease (Commingling Permit No. 8A-5508) do not have any present connection to a pipeline or gathering system.
10. The nearest gas pipeline, operated by Stakeholder Midstream, LLC, is approximately eight miles from the commingled Browning State Lease / Savage 551 Lease (Commingling Permit No. 8A-5508) ("Stakeholder Pipeline").
11. The cost to connect to the Stakeholder Pipeline, is estimated to be \$1,603,200. This estimate exceeds the net of gas revenue of approximately \$9000 / month from the lease remaining reserves (approximately \$-400/month cash flow), making it uneconomical to construct a pipeline from the lease to the Stakeholder Pipeline.

12. A gas pipeline to take the Browning State Lease / Savage 551 Lease casinghead gas is unavailable.
13. At the hearing, Steward agreed on the record that the Final Order in this docketed case, is to be final and effective when a Master Order relating to this Final Order is signed.

### Conclusions of Law

1. Proper notice was issued to persons entitled to notice. *See, e.g.*, Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. *See, e.g.*, Tex. Nat. Res. Code § 81.051.
3. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law unless authorized. 16 Tex. Admin. Code § 3.32(b).
4. Statewide Rule 32 provides exceptions allowing the flaring of gas if certain requirements are met and the flaring is necessary. *See, e.g.*, 16 Tex. Admin. Code § 3.32(f), (h).
5. Steward has met the requirements in Statewide Rule 32 to flare a maximum of 1,200, 1,600 and 400 Mcfd of casinghead gas from the commingled leases and the flaring of such gas is necessary.
6. 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.

### Ordering Provisions

It is **ORDERED** that Steward Energy II, LLC (819609), Inc. is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 1,200, 1,600, and 400 Mcfd of casinghead gas from the leases from February 23, 2019 to February 23, 2021, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Steward shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the required fee for a Statewide Rule 32 exception for each individual flare point on the leases. *See* 16 Tex. Admin. Code § 3.32(h)(1).

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and the agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order is signed.**

**Signed on Aug 6, 2019.**

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
Hearings Division's Unprotected Master  
Order dated Aug 6, 2019)**

**ATTACHMENT A – FLARE EXCEPTION AUTHORITY**

<b>Permit No.</b>	<b>Commingled Permit No. (If Applicable)</b>	<b>Flare Point Name</b>	<b>Permit Start Date</b>	<b>Permit End Date</b>	<b>Proposed Maximum Flare Volume (Mcf/d)</b>	<b>Casinghead Gas or Gas Well Gas</b>
37742	5489	Smokin Train 520 Lease / Sandman 470 Lease Central Flare Point	February 23, 2019	February 23, 2021	1,600	Casinghead Gas
37741	5513	Great Hambino 466 Lease / Hercules 466 Lease Central Flare Point	February 23, 2019	February 23, 2021	1,200	Casinghead Gas
30778	5508	Browning State Lease / Savage 551 Lease Central Flare Point	February 23, 2019	February 23, 2021	400	Casinghead Gas