

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0317577

APPLICATION OF SN OPERATING, LLC (797110) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE NORMA JEANNE LEASE, 01HX, 01HY, AND 01HZ PADS, DRILLING PERMIT NOS. 836741, 836742, 836743, BRISCOE RANCH (EAGLE FORD) FIELD, ZAVALA COUNTY, TEXAS

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 11, 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. SN Operating, LLC ("SN" or "Applicant") seeks a two-year exception to 16 Tex. Admin. Code § Section 3.32 ("Statewide Rule 32") for authority to flare a maximum of 200 thousand cubic feet per day ("Mcf") of casinghead gas from January 16, 2019 to January 15, 2021, from a single flare point at the Norma Jeanne Lease ("Lease"), Briscoe Ranch (Eagle Ford) Field, Zavala County, Texas.
2. The single flare point is connected to the following wells identified as 01HX Well, 01HY Well, and 01HZ Well.
3. SN submitted a request for hearing on the Statewide Rule 32 exception flaring authority request on January 15, 2019.
4. The Commission granted SN an administrative exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 390 Mcfd from the Lease. This administrative flaring authority (Permit No. 38860), which was granted for lack of pipeline access, expired on January 15, 2019.
5. On March 14, 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 11, 2019. On March 29, 2019, the Hearings Division resent the Notice to Sage Energy Company, offset operator, at its updated postal address. 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 Applicant appeared and participated at the hearing held on April 11, 2019. No one appeared in protest.

6. A gas pipeline to take the Lease casinghead gas is unavailable.
7. The nearest sales connection to the well is approximately four miles from the Lease.
8. SN conducted an economic analysis and production forecast for a proposed pipeline route from the Lease to its nearest sales connection. The cost estimate to connect to the sales line is \$693,950, which exceeds the gas revenue from the Lease's remaining reserves over a seven-year period, making it uneconomical to construct a pipeline from the Lease to the sales connection.
9. Based on a production decline curve, the estimated volume of casinghead gas to be flared would be a maximum of 200 Mcfd.
10. The requested Statewide Rule 32 exception to flare a maximum of 200 Mcfd of casinghead gas is necessary for SN to produce the recoverable oil from the Lease.
11. At the hearing, SN 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. SN meets the requirements in Statewide Rule 32 to flare a maximum of 200 Mcfd of casinghead gas 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 SN Operating, LLC (797110) is granted a two-year exception to Statewide Rule 32. The application to flare a maximum of 200 Mcfd, of casinghead gas from the Norma Jeanne Lease from January 16, 2019 to January 15, 2021, as reflected in attached Attachment A, is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. SN Operating, LLC 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 Lease. 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 August 6, 2019

RAILROAD COMMISSION OF TEXAS

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

ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY

Permit No.	Commingled Permit No. (If Applicable)	Flare Point Name	Permit Start Date (1)	Permit End Date	Proposed Maximum Flare Volume (Mcf/d)	Casinghead Gas or Gas Well Gas
38860	NA	Norma Jeanne 01HX, 01HY, and 01HZ Pads	1/16/19	1/15/21	200	Casinghead Gas

Note: Mcfd = Thousand Cubic Feet Per Day

(1) Permit Start Date for each respective flare exception authority to be first day after expiration of the existing exception authority if application for hearing is filed with the commission at least 21 days prior to expiration of the existing exception authority, otherwise flaring exception authority start date will be the latter of the first day after expiration of the existing exception authority or the hearing request date, if approved.