

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0320478

APPLICATION OF SILVER CREEK PERMIAN OP CO, LLC (781921) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE GERONIMO LEASE, WELL NO. 3H AND THE BLACK HAWK LEASE, WELL NO. 2H, COCHRAN (SAN ANDRES), COCHRAN 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 August 7, 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. Silver Creek Permian Op Co, LLC ("Silver Creek" or "Applicant") seeks two exceptions to Statewide Rule 32 ("Statewide Rule 32") for authority to flare a maximum of 400 thousand cubic feet per day ("Mcf") and 1,000 Mcfd of casinghead gas from July 4, 2019, to October 31, 2019 from two flare points. One flare point serves the Black Hawk Lease, Well No. 2H and the second flare point serves the Geronimo Lease, Well No. 3H, in the Cochran (San Andres) Field, Cochran County, Texas.
2. Silver Creek submitted a request for hearing on the Statewide Rule 32 exception flaring authority request on May 23, 2019.
3. Silver Creek was previously granted two administrative exceptions to Statewide Rule 32 to flare a maximum casinghead gas volume of 250 Mcfd from the Black Hawk and Geronimo leases. This administrative flaring authority (Permit Nos. 38469 and 38468) expired on July 3, 2019.
4. On July 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 August 7, 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 August 8, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. At present, the gas produced from the leases is out of specifications to be economically gathered by Targa Resources' ("Targa") gathering systems. The leases' gas is high in nitrogen, carbon dioxide and hydrogen sulfide. The molecular percentage of these components are approximately 8%, 11% and 2-4% respectively.
6. Under current conditions, Silver Creek expects to pay Targa approximately \$4000 per month per well to treat and take the gas produced from the leases. This analysis is based on a neighboring well, the Wyatt Earp No. 1H, which has similar chemical composition and production.
7. Silver Creek has been told by Targa that the installation of a new gas processing plant in the area can be expected and will change the existing treatment rates, making selling the leases' gas economical by October 2019. Silver Creek expects to be selling the leases' gas by October 31, 2019 and requested the flaring authority through this date.
8. Based on a production decline curves, the estimated volume of casinghead gas to be flared would be a maximum of 400 Mcfd and 1,000 Mcfd for the Black Hawk Lease and Geronimo Lease, respectively.
9. Applicant estimates and request a maximum monthly volume be limited to 10,000 thousand cubic feet per month ("Mcfm") for the Black Hawk Lease and 20,000 Mcfm for the Geronimo Lease.
10. The requested Statewide Rule 32 exceptions to flare a maximum of 400 Mcfd and 1000 Mcfd of casinghead gas is necessary for Silver Creek to produce the recoverable oil and extend the economic limit of the leases.
11. At the hearing, Silver Creek 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 excepted by law. 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. Silver Creek has met the requirements in Statewide Rule 32 to flare a maximum of 400 Mcfd, limited to 10,000 Mcfm, of casinghead gas from the Black Hawk Lease, Well No. 2H, and 1,000 Mcfd and limited to 20,000 Mcfm of casinghead gas from the Geronimo Lease, Well No. 3H 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 Silver Creek Op Co, LLC (781921) ("Silver Creek") is **GRANTED** a 119-day exception to Statewide Rule 32. Its request for authority to flare a maximum of 400 thousand cubic feet per day ("Mcf"), limited to 10,000 thousand cubic feet per month ("Mcfm"), of casinghead gas from the Black Hawk Lease and 1,000 Mcfd, limited to 20,000 Mcfm from the Geronimo Lease, from July 4, 2019 to October 31, 2019, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Silver Creek 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 on September 11, 2019

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated September 11, 2019)

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

| Permit No. | Commingle Permit No. (If Applicable) | Lease Name, Individual Flare Stacks | Permit Start Date | Permit End Date | Maximum Flare Volume (Mcf/d & Mcf/m) | Casinghead Gas or Gas Well Gas |
|-------------------|---|--|--------------------------|------------------------|---|---------------------------------------|
| 38469 | N/A | Black Hawk (70891) | July 4, 2019 | October 31, 2019 | 400 Mcfd 10,000 Mcfm | Casinghead Gas |
| 38468 | N/A | Geronimo (70881) | July 4, 2019 | October 31, 2019 | 1,000 Mcfd 20,000 Mcfm | Casinghead Gas |

Note: **Mcf/d = Thousand Cubic Feet Per Day**
 Mcf/m = Thousand Cubic Feet Per Month