

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0322353

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

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that after a joint notice of hearing in the above-docketed case was provided to all parties entitled to notice, a hearing was held on September 20, 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") requested a two-year exception, commencing August 31, 2019, to Statewide Rule 32 ("SWR 32") for authority to flare casinghead gas from the What A Melon 519 (70334) Lease, the Skinny Dennis 468 (70377) Lease, the One Eyed John 522 (70391) Lease, and the Hair Splitter 454 (70465) Lease, Platang (San Andres) Field, Yoakum County, Texas, (the "Four Leases"), (see Attachment A, attached hereto).
2. Steward submitted a request for hearing on the SWR 32 exception flaring authority for the Four Leases on August 5, 2019.
3. Steward was previously granted an exception to SWR 32 in Oil and Gas Docket No. 8A-0306154 to flare casinghead gas produced from the Four Leases, expiring August 30, 2019.
4. On August 22, 2019 the Hearings Division of the Commission sent a joint Amended Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of September 20, 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 September 20, 2019 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. The casinghead gas produced from the Four Leases is under a dedicated contract for delivery into a gas gathering system operated by Stakeholder Midstream, LLC ("Stakeholder") and ultimately to Stakeholder's gas plant for treatment.
6. The H₂S content of the casinghead gas produced from the Four Leases ranges from 5,000 parts per million ("ppm") to 9,865 ppm.
7. Stakeholder's ability to take all of the casinghead gas produced from the Four Leases is hindered by periodic and partial upset events, and insufficient inlet compression and desulfurization capacity at its gas plant.
8. After deducting gathering, compression, processing and transportation costs, Steward has incurred losses of approximately \$1,174,000 since January 2019, to sell their gas from this field.
9. The respective daily and monthly maximum volumes to be flared at each of the Four Leases under the requested SWR 32 exceptions are supported by the reported gas production and flare volumes from each of the Four Leases, dating back to September 17, 2017.
10. The requested SWR 32 exception to flare casinghead gas is necessary for Steward to produce the recoverable hydrocarbon liquids from the Four Leases during periods of periodic and partial curtailment on the Stakeholder system.
11. 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. SWR 32 requires gas to be utilized for purposes and uses authorized by law unless authorized. 16 Tex. Admin. Code § 3.32(b).
4. SWR 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 SWR 32 to flare 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 Steward Energy II, LLC (819609) is granted a two-year exception to Statewide Rule 32. Its request for authority to flare casinghead gas from the Four Leases, from August 31, 2019 to August 30, 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 flare point on the Four 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 November 19, 2019

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotected Master
Order dated November 19, 2019)**

ATTACHMENT A

Flare Permit Number	Commingled Permit Number	Flare Location/System Name	Permit Start Date	Permit End Date	Maximum Daily Flare Volume (Mcf/d)	Maximum Monthly Flare Volume (Mcf/m)	Casinghead or Gas Well Gas
29270	NA	What A Mellon (70334) Lease	8/31/2019	8/30/2021	1,200	18,000	Casinghead
29272	NA	Skinny Dennis (70377) Lease	8/31/2019	8/30/2021	1,200	10,000	Casinghead
29273	NA	One Eyed John (70391) Lease	8/31/2019	8/30/2021	2,000	21,000	Casinghead
29274	NA	Hair Splitter (70465) Lease	8/31/2019	8/30/2021	1,500	13,000	Casinghead

Note: Mcfd = thousand cubic feet per day
Mcfm = thousand cubic feet per month