

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 08-0321080**

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**APPLICATION OF SILTSTONE RESOURCES OPERATING II, LLC (781919) FOR AN  
EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, HOEFS-TK  
(WOLFCAMP) FIELD, PECOS 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 held on October 25, 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. Siltstone Resources Operating II, LLC ("Siltstone" or "Applicant") seeks a two-year exception to Statewide Rule 32 ("Statewide Rule 32") for authority to flare from three flare points:
  - a. a maximum of 20,000 thousand cubic feet per month ("Mcfm") of casinghead gas from October 25, 2019 through October 31, 2021, from the flare stack located at the State Hayter 30, Well No. 3HA (API No. 42-371-39813) ("State Hayter 30 Flare Point") in the Hoefs-TK (Wolfcamp) Field, in Pecos County, Texas;
  - b. a maximum of 10,000 Mcfm of casinghead gas from October 25, 2019 through October 31, 2021, from the flare stack located at the State Hayter 35/42S, Well No. 4HA (Drilling Permit No. 846549) ("State Hayter 35/42S Flare Point"), in the Hoefs-TK (Wolfcamp) Field, in Pecos County, Texas; and
  - c. a maximum of 16,000 Mcfm of casinghead gas from October 25, 2019 through October 31, 2020 from the flare stack located at the State Hayter 33/44S, Well No. 2HA (API No. 42-371-39891) ("State Hayter 33/44S Flare Point"), in the Hoefs-TK (Wolfcamp) Field, in Pecos County, Texas.
2. Siltstone submitted a request for hearing under the Statewide Rule 32 exception flaring authority on June 24, 2019.
3. Siltstone was previously granted an administrative exception to Statewide Rule 32 to flare:

- a. a maximum casinghead gas volume ranging from 400 thousand cubic feet per day (“Mcf”) to 2,000 Mcfd from the State Hayter 30 Flare Point under Flare Permit No. 37490, expiring August 1, 2019;
  - b. a maximum casinghead gas volume of 500 Mcfd from the State Hayter 35/42S Flare Point under Flare Permit No. 38314, expiring May 23, 2019; and
  - c. a maximum casinghead gas volume of 2,000 Mcfd from the State Hayter 33/44S Flare Point under Flare Permit No. 42393, expiring October 23, 2019.
4. On August 28, 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 September 27, 2019. On September 19, 2019, the Hearings Division received a Request to Reschedule Hearing from Siltstone, and on September 24, 2019, the Hearings Division received a Motion for Continuance from Siltstone. On September 25, 2019, the Administrative Law Judge sent an Order Granting Motion for Continuance setting the hearing date for October 25, 2019. 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 October 25, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
5. Siltstone did not provide witnesses to sponsor exhibits during the hearing held on October 25, 2020. The Technical Examiner and Administrative Law Judge sent a letter on January 3, 2020 requesting that Siltstone schedule a post-hearing conference to provide expert testimony to sponsor exhibits and answer technical questions. The post-hearing conference was held on February 25, 2020.
6. At the post-hearing conference, Siltstone amended their daily maximum flare volumes and monthly flare volume limitation based on the projected decline of the wells. The proposed amended flare volumes are:
  - a. a maximum daily flare volume of 200 Mcfd, with a monthly flare volume limitation of 6,000 Mcfm, for the State Hayter 30, Well No. 3HA;
  - b. a maximum daily flare volume of 500 Mcfd, with a monthly flare volume limitation of 15,000 Mcfm, for the State Hayter 35/42S, Well No. 4HA; and
  - c. a maximum daily flare volume of 300 Mcfd, with a monthly flare volume limitation of 12,000 Mcfm, for the State Hayter 33/44S, Well No. 2HA.
7. On May 12, 2020, Siltstone further amended their monthly flare volume limitations to 13,000 Mcfm for the State Hayter 35/42S, Well No. 4HA, and to 9,000 Mcfm for the State Hayter 33/44S, Well No. 2HA.
8. The wells connected to the three subject flare points are currently not connected to a gas gathering system. As of January 2019, Siltstone dedicated their acreage

- to Salt Creek Midstream (“Salt Creek”). The pipeline connection was delayed due to right-of-way issues. Siltstone plans to be connected to Salt Creeks’ gathering system by March 31, 2021. Siltstone stated on the record that an expiration date of March 31, 2021 for each of the flare points would not be adverse.
9. The current extension of the Salt Creek gathering system is approximately 1.5 miles, 2.5 miles, and 3.7 miles from the State Hayter 30 Flare Point, State Hayter 33/44S Flare Point, and the State Hayter 35/42S, respectively.
  10. The State Hayter 30, Well No. 3HA, flared 7,792 Mcfm in December 2019 with 1,087 Mcfm reported as field use, the State Hayter 35/42S, Well No. 4HA, flared 11,790 Mcfm in December 2019 with 930 Mcfm reported as field use, and the State Hayter 33/44S, Well No. 2HA flared 9,311 Mcfm in December 2019 with 98 Mcfm reported for field use.
  11. Based on production data and decline curves, the estimated volume of gas to be flared would be:
    - a. a maximum daily flare volume of 200 Mcfd, with a monthly flare volume limitation of 6,000 Mcfm, for the State Hayter 30, Well No. 3HA;
    - b. a maximum daily flare volume of 500 Mcfd, with a monthly flare volume limitation of 13,000 Mcfm, for the State Hayter 35/42S, Well No. 4HA; and
    - c. a maximum daily flare volume of 300, with a monthly flare volume limitation of 9,000 Mcfm, for the State Hayter 33/44S, Well No. 2HA.
  12. The requested Statewide Rule 32 exception to flare the following volumes of casinghead gas is necessary to prevent Siltstone from shutting-in producing wells prior to March 31, 2021:
    - a. a maximum daily flare volume of 200 Mcfd, with a monthly flare volume limitation of 6,000 Mcfm, for the State Hayter 30, Well No. 3HA;
    - b. a maximum daily flare volume of 500 Mcfd, with a monthly flare volume limitation of 13,000 Mcfm, for the State Hayter 35/42S, Well No. 4HA; and
    - c. a maximum daily flare volume of 300 Mcfd, with a monthly flare volume limitation of 9,000 Mcfm, for the State Hayter 33/44S, Well No. 2HA.
  13. At the hearing, Siltstone 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. Siltstone has met the requirements in Statewide Rule 32 to flare casinghead gas as reflected on Attachment A, 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 Siltstone Resources Operating II, LLC (253162) is granted an exception to Statewide Rule 32. Its request for authority to flare casinghead gas from the State Hayter 30, Well No. 3HA; the State Hayter 35/42S, Well No. 4HA; and the State Hayter 33/44S, Well No. 2HA; Hoefs-TK (Wolfcamp) Field, in Pecos County, Texas, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Within 30 days of the effective date of this order, Siltstone shall file the Statewide Rule 32 Exception Data Sheet and the required fee for a Statewide Rule 32 exception for the for the State Hayter 30, Well No. 3HA; the State Hayter 35/42S, Well No. 4HA; and the State Hayter 33/44S, Well No. 2HA flare points. See 16 Tex. Admin. Code § 3.32(h)(1). This order, and the authority to flare granted herein, is **VOID** if the required fee is not paid by Siltstone within thirty (30) days of the effective date of this order.

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 June 16, 2020.**

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
Hearings Division's Unprotested Master  
Order dated June 16, 2020.)**

**ATTACHMENT A – FLARE EXCEPTION AUTHORITY**

<b>Exception No.</b>	<b>Commingle Permit No. or Drilling Permit No. (If Applicable)</b>	<b>Lease Name, Individual Flare Stacks</b>	<b>Exception Start Date</b>	<b>Exception End Date</b>	<b>Maximum Flare Volume (Mcf/d &amp; Mcfm)</b>	<b>Casinghead Gas or Gas Well Gas</b>
37490	843406	State Hayter 30, Well No. 3HA	August 2, 2019	March 31, 2021	200 Mcfd 6,000 Mcfm	Casinghead Gas
38314	845352	State Hayter 35/42S, Well No. 4HA	June 21, 2019	March 31, 2021	500 Mcfd 13,000 Mcfm	Casinghead Gas
42393	846549	State Hayter 33/44S, Well No. 2HA	October 24, 2019	March 31, 2021	300 Mcfd 9,000 Mcfm	Casinghead Gas

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

**Flare Stack Locations:**

**State Hayter 30, Well No. 3HA: Latitude 30.89327444; Longitude -103.36522864**

**State Hayter 35/42S, Well No. 4HA: Latitude 30.86423466; Longitude -103.4153618**

**State Hayter 33/44S, Well No. 2HA: Latitude 30.85642539; Longitude: -103.38465248**