



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 03-0290789**

---

**THE APPLICATION OF SN OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE  
RULE 32 FOR THE SANTE NORTH UNIT, WELL NO. 1H, CYPRESS LANDING (EAGLE  
FORD) FIELD, FAYETTE COUNTY**

---

**HEARD BY:** Brian Fancher, P.G. - Technical Examiner  
Marshall F. Enquist - Hearings Examiner

**DATE OF HEARING:** September 10, 2014

**APPEARANCES:**  
**APPLICANT:**

Dale Miller

**REPRESENTING:**

SN Operating, LLC

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

SN Operating, LLC ("SN") requests an exception to 16 Texas Administrative Code §3.32 to flare casing-head gas from its Sante North Unit, Well No. 1H (API No. 42-149-33318) at a rate of 80 thousand cubic feet of gas per day ("MCFGD") for a period of two years.

By letter dated July 18, 2014, SN submitted a letter to the Commission requesting a hearing on the captioned docket; however, SN was not the operator of record for the subject well at that time. On September 9, 2014, a dual-signature Form P-4 was submitted to the Commission in an effort to transfer the subject well from Sanchez Oil & Gas Corp ("Sanchez") to SN. On September 15, 2014, the mentioned P-4 was approved, which indicates that Sanchez and SN are under similar ownership. On August 14, 2014, the Commission issued a Notice of Hearing on the captioned docket to all entities on the Service List in the subject field, which includes all operators of record in the subject field. The application is unopposed and the examiners recommend approval, as requested by SN.

#### DISCUSSION OF THE EVIDENCE

Title 16, §3.32 of the Texas Administrative Code ("TAC") governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. SN requests

to flare casing-head gas encountered at its subject well, as provided by 16 TAC §3.32(h).

16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than 50 MCFGD may be granted administratively for a period up to 180 days. Furthermore, flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Statewide Rule 32 contains no notice of application requirements. Operators in the subject field were given notice of the subject application.

The Cypress Landing (Eagle Ford) Field was discovered on October 20, 2012. The September 2014 Oil Proration Schedule indicates that Cypress E&P Corporation and SN are the only operators in the field, and that each mentioned operator owns one well apiece.

The subject well was completed in the Cypress Landing (Eagle Ford) Field on January 22, 2014. On January 26, 2014, a twenty-four hour potential test was performed on the subject well that resulted in the following: 150 barrels of oil per day (BOPD); 104 MCFPD, 766 barrels of water per day (BWPD), and a gas-to-oil ratio of 693 standard cubic feet of natural gas per stock tank barrel. From January 22, 2014 through September 4, 2014, the subject well cumulatively produced 17,330 BO, 16,795 MCF, and 14,513 BW. In that time, the well's daily production values ranged from 159 BOPD to 50 BOPD and 161 MCFPD to 60 MCFPD.

At the hearing, SN indicated that the closest available gas pipelines to the subject well are two miles to the northwest (Energy Transfer Company) and 6.1 miles to the east (DCP Austin Gathering, LLC)<sup>1</sup>. The Oil and Gas Division administratively approved SN's application to flare casing-head gas from the subject well in the following sequence:

	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Time Period</u>	<u>Volume</u>
1.	1/25/14	3/11/14	45 days	105 MCFG
2.	3/12/14	5/11/14	60 days	105 MCFG
3.	5/12/14	7/26/14	75 days	80 MCFG

Throughout the above mentioned 180-day administrative approval period, SN contends that the necessity to extend flaring authority from the subject well was due to SN's then-evaluation of whether or not connecting the well to one of the nearby gas pipelines would be economically viable.

By letter dated July 18, 2014, SN submitted a request for hearing on the captioned docket, pursuant to 16 TAC §3.32(h). SN requests to extend the flaring authority granted to the subject well for an additional two years beyond July 27, 2014 at a volume of 80 MCFPD. SN submitted an economic evaluation that compares the cost of connecting the well to the nearest gas pipeline against

---

<sup>1</sup> Exh. No. 2.

the revenue obtained from only the well's casing-head gas production<sup>2</sup>. SN estimates that the cost to connect the well to the closest gas pipeline is roughly \$2.1 million dollars, and that the net revenue from the remaining recoverable net gas reserves is -\$702,429. Ultimately, SN believes it would incur a revenue loss of -\$2.85 million dollars by building a pipeline from the subject well to the nearest available gas pipeline. SN asserts that if its sought relief is denied, then the subject well will be shut-in.

### **FINDINGS OF FACT**

1. SN Operating, LLC ("SN") seeks an exception beyond 180 days to flare casing-head gas in volumes exceeding fifty thousand cubic feet per day ("MCFGPD") from the Sante North Unit, Well No. 1H (API No. 42-149-33318) in the Cypress Landing (Eagle Ford) Field in Fayette County.
2. SN obtained administrative authority from the Oil and Gas Division to flare up to 105 MCFGPD of casing-head gas derived from the subject field through the Sante North Unit, Well No. 1H from January 25, through July 26, 2014.
3. SN's 180-day administrative authority to flare casing-head gas from the Sante North Unit, Well No. 1H in the Cypress Landing (Eagle Ford) Field expired on July 26, 2014.
4. SN requested a hearing to consider flaring casing-head gas derived from the subject fields at the Sante North Unit, Well No. 1H in the Cypress Landing (Eagle Ford) Field on July 18, 2014.
5. SN requests to flare 80 MCFGPD of casing-head gas derived from in the Sante North Unit, Well No. 1H in the Cypress Landing (Eagle Ford) Field from July 27, 2014 through July 27, 2016.
6. SN request to flare 80 MCFGPD from the Sante North Unit, Well No. 1H in the Cypress Landing (Eagle Ford) Field for two years is based on economic reasons.

### **CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

---

<sup>2</sup> Exh. No. 9.

3. The requested authority to flare up to 80 thousand cubic feet per day of casing-head gas derived from the Cypress Landing (Eagle Ford) at the Sante North Unit, Well No. 1H satisfies the requirements of Title 16, Texas Administrative Code §3.32.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception flare casing-head gas from the Sante North Unit, Well No. 1H at a rate of up to 80 thousand cubic feet of gas per day (MCFGPD) from July 27, 2014 through July 27, 2016.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Marshall F. Enquist  
Legal Examiner