



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0296974

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THE APPLICATION OF SN OPERATING, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE KRAWETZ RANCH UNIT, WELL NO. A1H, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Terry Johnson – Legal Examiner

**HEARING DATE:** July 31, 2015  
**RECORD CLOSED:** July 31, 2015  
**SUBMISSION DATE:** August 31, 2015  
**CONFERENCE DATE:** September 15, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

David Gross  
Dale Miller

SN Operating, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Pursuant to 16 Tex. Admin. Code §3.32, SN Operating, LLC ("SN") seeks an exception to flare casing-head gas from the Krawetz Ranch Unit, Well No. A1H ("Subject Well"), Briscoe Ranch (Eagleford) Field, Zavala County, Texas ("Subject Application"). SN requests authority to vent or flare up to 150 MCFGD (MCFGD represents 1,000 cubic feet of gas per day), effective July 19, 2015, through July 18, 2017.

The application is unopposed. The Examiners recommend that it be approved.

**DISCUSSION OF THE EVIDENCE**

Dale Miller, consulting Petroleum Engineer, testified on behalf of SN.

### Applicable Rules

Generally, 16 Tex. Admin. Code §3.32 (“SWR 32”) governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Titled “Exceptions,” SWR 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

### Application History

All operators that immediately offset the Krawetz Ranch Unit (“Unit”), as well as the Oil and Gas Division, were provided notice and an opportunity to participate in the hearing on July 1, 2015. SN was the only party to appear at the hearing.

The Subject Well was completed in the Briscoe Ranch (Eagleford) Field on July 4, 2012 by Hess Corporation (“Hess”). Hess performed a twenty-four hour initial potential well test on July 12, 2012, which resulted in 168 barrels of oil per day, 0 MCFGD, and 986 barrels of water per day. Mr. Miller testified that the initial potential test results did not likely indicate the stabilized production rate because the well was in the process of recovering from the hydro frack stimulation at the time the test was performed.

Mr. Miller testified that Sanchez Oil and Gas Corp. (“Sanchez”) became operator of the Subject Well subsequent to Hess. Later, SN acquired the well from Sanchez.

SN submitted a production chart for the Subject Well that spans from July 2012 through July 2015. The production chart indicates that the well is on hyperbolic decline and currently produces about 400 barrels of oil per day (“BOPD”) and 3,000 MCFGD.

Mr. Miller testified that Hess was granted 180 days of administrative authority to flare up to 500 MCFGD from the Subject Well, effective July 30, 2012, through June 2, 2013. Commission records indicate that the Subject Well was shut-in from October 19, 2012, through mid-February 2013.<sup>1</sup>

On August 6, 2013, the Commission entered a Final Order granting Sanchez authority to flare up to 300 MCFGD from the Subject Well, effective June 3, 2013, through June 2, 2014.<sup>2</sup>

On January 27, 2015, the Commission entered a Final Order granting SN authority to flare up to 150 MCFGD from the Subject Well, effective July 19, 2014, through July 18, 2015.<sup>3</sup>

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<sup>1</sup> SN Exh. No. 6.

<sup>2</sup> SN Exh. No. 7.

<sup>3</sup> SN Exh. No. 8.

SN's Argument

SN argues that the need to flare casinghead gas from the Subject Well in the immediate case is for the same reasons it argued in Oil & Gas Docket No. 01-0292307 – it is not economic at this time for SN to build a gas pipeline from the Subject Well to the nearest gas market pipeline.<sup>4</sup>

SN submitted an economic calculation to show that the cost of building a pipeline from the Subject Well to the nearest gas market pipeline would cost SN \$969,786. Mr. Miller that the remaining recoverable gas reserves from the well is estimated to be \$389,005. The difference between the two values would create a net loss of \$580,781. Therefore, the cost to market the well's casinghead gas is not economic at this time.

**FINDINGS OF FACT**

1. SN Operating, LLC ("SN") requests an exception to flare casing-head gas from its Krawetz Ranch Unit, Well No. A1H ("Subject Well"), Briscoe Ranch (Eagleford) Field, Zavala County, Texas ("Subject Application").
2. Sufficient notice of the Subject Application was made on March 4, 2015.
3. Sufficient notice of the Subject Application was made on March 4, 2015.
4. SN requests authority to vent or flare up to 150 MCFGD (MCFGD represents 1,000 cubic feet of gas per day), effective July 19, 2015, through July 18, 2017.
5. The Subject Well was completed in the Briscoe Ranch (Eagleford) Field on July 4, 2012 by Hess Corporation ("Hess").
6. On July 4, 2012, the Subject Well was completed in the Briscoe Ranch (Eagleford) Field. On July 12, 2014, the Subject Well was tested for initial potential, which resulted with 168 barrels of oil per day, 0 MCFGD, and 986 barrels of water per day.
7. On August 6, 2013, the Commission entered a Final Order granting Sanchez Oil and Gas Corp. authority to flare up to 300 MCFGD from the Subject Well, effective June 3, 2013, through June 2, 2014.
8. On January 27, 2015, the Commission entered a Final Order granting SN authority to flare up to 150 MCFGD from the Subject Well, effective July 19, 2014, through July 18, 2015.
9. The cost to build a gas pipeline from the Subject Well to the nearest gas market pipeline would result in a net loss of \$580,781.

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<sup>4</sup> *Id.*

10. Approval of the subject application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32.

**CONCLUSIONS OF LAW**

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. The requested authority to flare up to 150 MCFGD of casing-head gas derived from the Briscoe Ranch (Eagleford) Field, Zavala County, Texas through the Subject Well for a period of two years beginning on July 19, 2015, satisfies the requirements of Title 16 TAC §3.32.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to flare casing-head gas from the Subject Well at a rate of up to 150 MCFGD for two years beginning on July 19, 2015.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Terry Johnson  
Legal Examiner