



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 8A-0303852

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THE APPLICATION OF STEWARD ENERGY II, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE ARROWHEAD (70454) LEASE, PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

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HEARD BY: Peggy Laird, P.G. – Technical Examiner  
Clayton J. Hoover – Administrative Law Judge

HEARING DATE: April 17, 2017

CONFERENCE DATE: June 6, 2017

APPEARANCES: REPRESENTING:

**APPLICANT:**

James M. Clark

Steward Energy II, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Steward Energy II, LLC ("Steward") requests an exception to Statewide Rule 32 for the Arrowhead (70454) Lease, Platang (San Andres) Field, Yoakum County, Texas. All offset operators in the subject field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exception to Statewide 32.

**DISCUSSION OF THE EVIDENCE**

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the

Commission. Steward was granted a permit to flare casinghead gas that will be expiring. Steward is requesting an exception to Statewide 32 to flare casinghead gas for an additional period of time.

The Arrowhead Lease is presently developed with a single well, the Arrowhead #717H, as part of a dewatering play. This oil well was completed September 16, 2016, and produces sour casinghead gas. The hydrogen sulfide concentration was reported as 12,700 parts per million ("ppm").

Steward received administrative authority (Permit No. 27994) to flare up to 400 MCF per day ("MCFD") from the Arrowhead Lease from September 22, 2016 through March 22, 2017. Their request for a hearing to renew the flaring authority was received on February 17, 2017. Steward is requesting authority to flare up to 6,000 MCF per month ("MCFM") from its Arrowhead Lease for two years from March 23, 2017 through March 23, 2019.

The Arrowhead Lease is not connected to a pipeline and the nearest pipeline is over seven miles away. Steward reported the expenses to treat the casinghead gas from the well or to compress the gas into a sour gas flowline would greatly exceed the revenue associated with the gas production. Likewise, the installation of a sour gas flowline to transport the gas to market would result in a loss of \$1,212,000.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. There were no protests to the application.
2. Steward's request for a hearing to renew the flaring authority was received on February 17, 2017.
3. Steward is requesting authority to flare up to 6,000 MCFM for two years from March 23, 2017 through March 23, 2019.
4. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

#### **CONCLUSIONS OF LAW**

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32
3. The requested exception to flare casinghead gas meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on June 6, 2017.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 to flare up to 6,000 MCFM from the Arrowhead Lease for two years from March 23, 2017 through March 23, 2019, as requested by Steward Energy II, LLC.

Respectfully submitted,

Peggy Laird, P.G.  
Technical Examiner

  
Clayton J. Hoover  
Administrative Law Judge