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RANDALL D. COLLINS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0305633

THE APPLICATION OF RILEY PERMIAN OPERATING CO, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SLIM HONEYCUTT 608 (70572) LEASE, WELL NO. 4H, PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

OIL AND GAS DOCKET NO. 8A-0306235

THE APPLICATION OF RILEY PERMIAN OPERATING CO, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SHIPROCK 638 (70576) LEASE, WELL NO. 3H, PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

OIL AND GAS DOCKET NO. 8A-0306236

THE APPLICATION OF RILEY PERMIAN OPERATING CO, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE DESPERADO 538 AND THE LAZY HORSE 581-600 BATTERY, SABLE (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: September 14, 2017
RECORD CLOSED: September 14, 2017
CONFERENCE DATE: December 5, 2017

APPEARANCES: **REPRESENTING:**

APPLICANT: Riley Permian Operating Co, LLC

Laura Winkler

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Riley Permian Operating Co, LLC (Riley) seeks exception renewals for its current Statewide Rule 32 exceptions for the following:

- 1) Slim Honeycutt 608 Lease (Lease No. 70572), Platang (San Andres) Field, Yoakum County.
- 2) Shiprock 638 Lease (Lease No. 70576), Platang (San Andres) Field, Yoakum County.
- 3) Desperado 538 Lease (Lease No. 70596), Sable (San Andres) Field, Yoakum County.
- 4) Lazy Horse 581-600 Battery (Lease No. 70603), Sable (San Andres) Field, Yoakum County.

For each application, notice was provided to all offset operators. For each application, Riley is requesting an extension of its current Statewide Rule 32 exception for a period of 18 months. For the Slim Honeycutt 608 Lease (Permit No. 28857) and the Shiprock 638 Lease (Permit No. 29553), Riley is requesting to extend the current Statewide Rule 32 exceptions to flare a maximum volume of 500 Mcfd per lease as previously granted. Riley plans to drill and complete additional wells on the Desperado 538 Lease and the Lazy Horse 581-600 Lease, and therefore requests authority to flare a maximum of volume of 3,000 Mcfd per lease. The applications are unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of an 18-month exception to Statewide Rule 32 for the subject applications, for the maximum flare volumes requested by Riley.

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(j) Opportunity for hearing states that an operator may request a hearing on any application for an exception, or exception renewal required by this section. The Commission received a hearing request for a Statewide Rule 32 exception renewal for the Slim Honeycutt 608 Lease on June 29, 2017. A hearing request for a Statewide Rule 32 exception renewal for the Shiprock 638 Lease and the Desperado 538 Lease was received on August 10, 2017, and a hearing request for a Statewide Rule 32 exception renewal for the Lazy Horse 581-600 Battery was received on August 15, 2017.

Slim Honeycutt 608 (70572) Lease

The Slim Honeycutt 608 Lease, Well No. 4H (API No. 42-501-36716) is completed in the Platang (San Andres) Field. On a well test conducted on January 19, 2017, the well produced 56 BO, 358 Mcf gas, and 981 bbl of water. Riley has an existing permit, Permit No. 28857, for the Slim Honeycutt 608 Lease, Well No. 4H to flare a maximum of 500 Mcf of casinghead gas per day per lease, effective January 10, 2017, and expiring on July 10, 2017. Riley requests to extend the permit for the subject lease to flare a

maximum of 500 Mcfd of casinghead gas for an additional eighteen (18) months (July 11, 2017 through January 10, 2019).

Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas. Riley is in discussions with Stakeholder Midstream to build lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018. As a result, Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease.

Shiprock 638 Lease (Lease No. 70576)

The Shiprock 638 Lease, Well No. 3H (API No. 42-501-36746) is completed in the Platang (San Andres) Field. Riley reported a total of 1,245 Mcf of casinghead gas flared from May 2017 to the end of August 2017. Riley has an existing permit, Permit No. 29553, for the Shiprock 638 Lease, Well No. 3H to flare a maximum of 500 Mcf of casinghead gas per day per lease, effective April 10, 2017, and expiring on October 8, 2017. Riley requests to extend the permit for the subject lease to flare a maximum of 500 Mcfd of casinghead gas for an additional eighteen (18) months, (October 9, 2017 through April 9, 2019).

Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas. Riley is in discussions with Stakeholder Midstream to build lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018. As a result, Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease.

Desperado 538 Lease (Lease No. 70596)

Currently, there are two wells completed on the Desperado 538 Lease, the Desperado 538 Lease, Well No. 1H (42-501-36766), and the Desperado 538 Lease, Well No. 4H (API No. 42-501-36767). Both wells are completed in the Sable (San Andres) Field. Well No. 1H was tested on July 1, 2017, at which time the well produced 400 BO and 1,319 Mcf casinghead gas. Well No. 4H was tested on July 4, 2017, at which time the well produced 351 BO and 780 Mcf of casinghead gas.

Riley has an existing permit, Permit No. 29729, for the Desperado 538 Lease, to flare a maximum of 1,000 Mcf of casinghead gas per day per lease, which is due to expire October 18, 2017. Riley plans to drill and complete additional wells on the subject lease and requests to extend its permit for the subject lease for an additional 18-month period (October 19, 2017 through April 9, 2019). Riley also requests to increase the daily maximum flare volume to 3,000 Mcfd per lease to account for the additional wells that are planned to be drilled and completed during this time period.

Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas. Riley is in discussions with Stakeholder Midstream to build

lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018. As a result, Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease.

Lazy Horse 581-600 Battery (Lease No. 70603)

Presently, there are two wells on the Lazy Horse 581-600 Lease completed in the Sable (San Andres) Field:

1. The Lazy Horse 581 Lease, Well No. 1H (API No. 42-501-36693), was tested on June 18, 2017 at which time the well produced 273 BO and 1,048 Mcf of casinghead gas.
2. The Lazy Horse 581 Lease, Well No. 4XH (API No. 42-501-36768), was tested on August 22, 2017 at which time the well produced 308 BO and 1,350 Mcf of casinghead gas.

Riley has an existing permit for the Lazy Horse 581-600 Lease, (Permit No. 29723), to flare a maximum of 1,000 Mcf of casinghead gas per day per lease, which is due to expire October 18, 2017. Riley plans to drill and complete additional wells on the subject lease and requests to extend its permit for the subject lease for an additional 18-month period (October 19, 2017 through April 9, 2019), and to increase the daily maximum flare volume to 3,000 Mcfd per lease to account for the additional wells that are planned to be drilled and completed during this time period.

Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas. Riley is in discussions with Stakeholder Midstream to build lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018. As a result, Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease.

For each application Riley agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. Proper notice of this hearing was provided to offset operators.
2. The Commission received a hearing request for a Statewide Rule 32 exception renewal for the Slim Honeycutt 608 Lease on June 29, 2017.
 - a. The Slim Honeycutt 608 Lease, Well No. 4H (API No. 42-501-36716) is completed in the Platang (San Andres) Field.

- b. On a well test conducted on January 19, 2017, the well produced 56 BO, 358 Mcf gas, and 981 bbl of water.
 - c. Riley has an existing permit, Permit No. 28857, for the Slim Honeycutt 608 Lease, Well No. 4H to flare a maximum of 500 Mcf of casinghead gas per day per lease, effective January 10, 2017, and expiring on July 10, 2017.
 - d. Riley requests to extend the permit for the subject lease to flare a maximum of 500 Mcfd of casinghead gas for an additional eighteen (18) months (July 11, 2017 through January 10, 2019).
 - e. Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas.
 - f. Riley is in discussions with Stakeholder Midstream to build lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018.
 - g. Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease.
3. A hearing request for a Statewide Rule 32 exception renewal for the Shiprock 638 Lease was received on August 10, 2017.
- a. The Shiprock 638 Lease, Well No. 3H (API No. 42-501-36746) is completed in the Platang (San Andres) Field.
 - b. Riley reported a total of 1,245 Mcf of casinghead gas flared from May 2017 to the end of August.
 - c. Riley has an existing permit, Permit No. 29553, for the Shiprock 638 Lease, Well No. 3H to flare a maximum of 500 Mcf of casinghead gas per day per lease, effective April 10, 2017, and expiring on October 8, 2017.
 - d. Riley requests to extend the permit for the subject lease to flare a maximum of 500 Mcfd of casinghead gas for an additional eighteen (18) months, (October 9, 2017 through April 9, 2019).
 - e. Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas.

- f. Riley is in discussions with Stakeholder Midstream to build lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018.
 - g. Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease.
4. A hearing request for a Statewide Rule 32 exception renewal for the Desperado 538 Lease was received on August 10, 2017.
- a. Currently, there are two wells completed on the Desperado 538 Lease:
 - i. The Desperado 538 Lease, Well No. 1H (42-501-36766).
 - ii. The Desperado 538 Lease, Well No. 4H (API No. 42-501-36767).
 - 1. Both wells are completed in the Sable (San Andres) Field.
 - 2. Well No. 1H was tested on July 1, 2017, at which time the well produced 400 BO and 1,319 Mcf casinghead gas.
 - 3. Well No. 4H was tested on July 4, 2017, at which time the well produced 351 BO and 780 Mcf of casinghead gas.
 - b. Riley has an existing permit, Permit No. 29729, for the Desperado 538 Lease, to flare a maximum of 1,000 Mcf of casinghead gas per day per lease, which is due to expire October 18, 2017.
 - c. Riley plans to drill and complete additional wells on the subject lease and requests to extend its permit for the subject lease for an additional 18-month period (October 19, 2017 through April 9, 2019), and to increase the daily maximum flare volume to 3,000 Mcfd per lease to account for the additional wells that are planned to be drilled and completed during this time period.
 - d. Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas.

- e. Riley is in discussions with Stakeholder Midstream to build lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018.
 - f. Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease.
5. A hearing request for a Statewide Rule 32 exception renewal for the Lazy Horse 581-600 Battery was received on August 15, 2017.
- a. Presently, there are two wells on the Lazy Horse 581-600 Lease completed in the Sable (San Andres) Field:
 - i. The Lazy Horse 581 Lease, Well No. 1H (API No. 42-501-36693), was tested on June 18, 2017 at which time the well produced 273 BO and 1,048 Mcf of casinghead gas.
 - ii. The Lazy Horse 581 Lease, Well No. 4XH (API No. 42-501-36768), was tested on August 22, 2017 at which time the well produced 308 BO and 1,350 Mcf of casinghead gas.
 - b. Riley has an existing permit for the Lazy Horse 581-600 Lease, (Permit No. 29723), to flare a maximum of 1,000 Mcf of casinghead gas per day per lease, which is due to expire October 18, 2017.
 - c. Riley plans to drill and complete additional wells on the subject lease and requests to extend its permit for the subject lease for an additional 18-month period (October 19, 2017 through April 9, 2019), and to increase the daily maximum flare volume to 3,000 Mcfd per lease to account for the additional wells that are planned to be drilled and completed during this time period.
 - d. Riley is currently working on agreements with Targa Midstream and Stakeholder Midstream to take the gas.
 - e. Riley is in discussions with Stakeholder Midstream to build lines to all of Riley's wells in the area. The lines are estimated to be completed in the fall of 2018.
 - f. Riley is requesting an 18-month extension of its exception to Statewide Rule 32 for the subject lease
6. For each application Riley agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

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.
3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on December 5, 2017.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant Statewide Rule 32 exception renewals for a period of 18 months for the Slim Honeycutt 608 Lease (Lease No. 70572), Shiprock 638 Lease (Lease No. 70576) Desperado 538 Lease (Lease No. 70596), and the Lazy Horse 581-600 Battery (Lease No. 70603), as requested by Riley.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Jennifer Cook
Administrative Law Judge