



## RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

### **OIL AND GAS DOCKET No. 08-0309279**

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**THE APPLICATION OF RKI EXPLORATION & PRODUCTION LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS**

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### **OIL AND GAS DOCKET No. 08-0309280**

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**THE APPLICATION OF RKI EXPLORATION & PRODUCTION LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, VARIOUS WELLS, SANDBAR (BONE SPRING) FIELD, LOVING AND REEVES COUNTIES, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Clayton Hoover – Administrative Law Judge

**HEARING DATE:** March 21, 2018  
**CONFERENCE DATE:** May 22, 2018

**APPEARANCES:**

Bill Spencer  
Jim Clark, P.E.

**REPRESENTING:**

RKI Exploration & Production LLC

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

RKI Exploration & Production LLC ("RKI") seeks an exception to Statewide Rule 32 for numerous leases, with wells completed in the Phantom (Wolfcamp) and/or Sandbar (Bone Spring) Fields in Loving and Reeves Counties, Texas. RKI requests to extend the current Statewide Rule 32 exception for each flare point for a period of two years, effective March 1, 2018. Notice of the application was provided to offset operators of each of the flare stacks in the application. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively "Examiners") recommend approval of a two-year extension of the various flare permits as requested by RKI.

### **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 Mcfd may be granted administratively for a period up to 180 days. 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. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

On February 2, 2018, the Commission received a request for hearing from RKI to extend current Statewide Rule 32 exceptions that expire in late February/early March 2018 for the flare points listed in Tables 1 and 3. Since the request for hearing on renewals of existing exceptions was received by the Commission at least 21 days before the expiration of the existing exceptions, the operator is authorized to continue to operate under the existing authority pending final commission action on the applications.

#### **Phantom (Wolfcamp) Field, Loving County (Oil and Gas Docket No. 08-0309279)**

The wells that are the subject of Oil and Gas Docket No. 08-0309279 (Table 1) flared approximately 2.7% of total gas production between January 2017 and July 2017. Three events caused an increase in flare volumes beginning in August of 2017. The first event was Hurricane Harvey. RKI received a letter from Delaware Basin Midstream, LLC (DBM) informing RKI that DBM had experienced a force majeure event impacting NGL sales and capacity. RKI received a similar letter from Energy Transfer (ETC) informing RKI of a force majeure affecting ETC's plants due to Hurricane Harvey. The second event was a fire which shut down a compressor station on August 9, 2017, and the third event was a fire which shut down a compressor station on November 7, 2017. RKI obtained administrative flare permits due to these unexpected events, but these flare permits reached their maximum 180-day administrative exception around March 1, 2018.

Despite the hurricane and fire events, only 12.7% of total gas production was flared between August 2017 and January 2018. The maximum flare volume from all wells during this period was 10,268 Mcfd in September 2017. The total flare volumes have been steadily decreasing since September 2017, averaging 1,931 Mcfd during January 2018. RKI also completed 8 new wells in August 2017 and an additional 3 wells in September of 2017. The hurricane and fire events demonstrate the unpredictability of gas sales, and RKI has exhausted the 180-day administrative exception. RKI requests authorization to flare the volumes listed in Table 2, if necessary, from March 1, 2018 to March 1, 2020.

**Table 1: Existing Administrative Statewide Rule 32 Exceptions (Oil and Gas Docket No. 08-0309279).**

Flare Permit No.	From	To	Lease Name	RRC Lease No.	Well No.	Volumes
						Mcf/d
31491	8/31/2017	2/28/2018	Bunin 4	45742	6H 8H	2,600
31497	8/31/2017	2/28/2018	CBR 12	45721	3H 4H	3,325
31498	8/31/2017	2/28/2018	CBR 14	46414	4H	425
31500	8/31/2017	2/28/2018	CBR 18	45714	5H	1,500
31503	8/31/2017	2/28/2018	CBR 22	46406	10H 11H 12H 13H 14H 15H 16H 17H 18H	13,125
31492	8/31/2017	2/28/2018	CBR 2	46522	2H 4H	2,600
31504	8/31/2017	2/28/2018	CBR 28	45735	7H	900
31505	8/31/2017	2/28/2018	CBR 32	45789	7H	1,750
31494	8/31/2017	2/28/2018	CBR 4	46560	2H 3H 6H	7,400
31495	8/31/2017	2/28/2018	CBR 6	46405	1H 3H	1,400
31496	8/31/2017	2/28/2018	CBR 6-7D CBR 6-7F	TBD TBD	5H 7H	6,000
31508	8/31/2017	2/28/2018	Lindsay 16	48355	2H 4H	3,000
31506	8/31/2017	2/28/2018	Lindsay 2	45579	3H 4H	1,350
31507	8/31/2017	2/28/2018	Lindsay 9	47397	5H	3,050
31509	8/31/2017	2/28/2018	Pecos State 46	45627	3H	200
31510	8/31/2017	2/28/2018	Robinson 5	48361	6H 7H	1,600
31011	9/1/2017	3/1/2018	Lindsay 10-15D Lindsay 10-15E Lindsay 10-15F	283421 TBD 283422	17H 18H 19H	3,200
31010	9/9/2017	3/9/2018	Lindsay 10-15A Lindsay 10-15B Lindsay 10-15C Lindsay 10-15G	283418 283419 TBD 283423	14H 15H 16H 20H	6,200

Notes: Flare Permit No. 31505 includes CBR 32 No. 9H in Sandbar (Bone Spring) Field.  
Flare Permit No. 31507 includes Lindsay 9 No. 6H in Sandbar (Bone Spring) Field.

**Table 2: Requested Statewide Rule 32 Flare Volumes, effective March 1, 2018 to March 1, 2020 (Oil and Gas Docket No. 08-030979).**

Flare Permit No.	Maximum Flare Volume (Mcf/d)	Lease Name	RRC Lease No.	Well No.
31491	2,500	Bunin 4	45742	6H 8H
31497	1,200	CBR 12	45721	3H 4H
31498	700	CBR 14	46414	4H
31500	1,300	CBR 18	45714	5H
31503	300	CBR 22	46406	10H 11H 12H 13H 14H 15H 16H 17H 18H
31492	500	CBR 2	46522	2H 4H
31504	1,425	CBR 28	45735	7H
31505	2,000	CBR 32	45789	7H
31494	1,600	CBR 4	46560	2H 3H 6H
31495	1,600	CBR 6	46405	1H 3H
31496	6,000	CBR 6-7D CBR 6-7F	TBD TBD	5H 7H
31508	2,300	Lindsay 16	48355	2H 4H
31506	1,000	Lindsay 2	45579	3H 4H
31507	2,500	Lindsay 9	47397	5H
31509	300	Pecos State 46	45627	3H
31510	1,000	Robinson 5	48361	6H 7H
31011	7,500	Lindsay 10-15D Lindsay 10-15E Lindsay 10-15F	283421 TBD 283422	17H 18H 19H
31010	9,000	Lindsay 10-15A Lindsay 10-15B Lindsay 10-15C Lindsay 10-15G	283418 283419 TBD 283423	14H 15H 16H 20H

Notes: Flare Permit No. 31505 includes CBR 32 No. 9H in Sandbar (Bone Spring) Field.  
Flare Permit No. 31507 includes Lindsay 9 No. 6H in Sandbar (Bone Spring) Field.

**Sandbar (Bone Spring) Field, Loving and Reeves Counties (Oil and Gas Docket No. 08-0309280)**

The wells that are the subject of Oil and Gas Docket No. 08-0309280 (Table 3), flared approximately 1.3% of total gas production between January 2017 and July 2017. Three events caused an increase in flare volumes beginning in August of 2017. The first event was Hurricane Harvey. RKI received a letter from Delaware Basin Midstream, LLC (DBM) informing RKI that DBM experienced a force majeure event impacting NGL sales and capacity. RKI received a similar letter from Energy Transfer (ETC) informing RKI of a force majeure affecting ETC's plants due to Hurricane Harvey. The second event was a fire which shut down a compressor station on August 9, 2017, and the third event was a fire which shut down a compressor station on November 7, 2017.

RKI obtained administrative flare permits due to these unexpected events, but these 180-day administrative permits expire around March 1, 2018. Despite the hurricane and fire events, only 8.8% of total gas production was flared between August 2017 and January 2018. The maximum flare volume from all wells during this period was 1,363 Mcfd in September 2017. The hurricane and fire events demonstrate the unpredictability of gas sales, and RKI has exhausted the 180-day administrative exception. RKI requests authorization to flare the volumes listed in Table 4, if necessary, from March 1, 2018 to March 1, 2020.

**Table 3: Existing Administrative Statewide Rule 32 Exceptions (Oil and Gas Docket No. 08-0309280).**

Flare Permit No.	From	To	Lease Name	RRC Lease No.	Well No.	Volumes
						Mcf/d
31507	8/31/2017	2/28/2018	Lindsay 9	48832	6H	3,050
31501	8/31/2017	2/28/2018	CBR 22	277240	2H	1,000
31502	8/31/2017	2/28/2018	CBR 22	278364	3H	500
31505	8/31/2017	2/28/2018	CBR 32	283156	9H	1,750
31493	8/31/2017	2/28/2018	CBR 4	277562	1H	250

Notes: Flare Permit No. 31507 includes Lindsay 9 No. 5H in Phantom (Wolfcamp) Field. Flare Permit No. 31505 includes CBR 32 No. 7H in Phantom (Wolfcamp) Field.

**Table 4: Requested Statewide Rule 32 Flare Volumes, effective March 1, 2018 to March 1, 2020 (Oil and Gas Docket No. 08-0309280).**

Flare Permit No.	From	To	Lease Name	RRC Lease No.	Well No.	Maximum Flare Volume
						Mcf/d
31507	3/1/2018	3/1/2020	Lindsay 9	48832	6H	2,500
31501	3/1/2018	3/1/2020	CBR 22	277240	2H	1,000
31502	3/1/2018	3/1/2020	CBR 22	278364	3H	500
31505	3/1/2018	3/1/2020	CBR 32	283156	9H	2,000
31493	3/1/2018	3/1/2020	CBR 4	277562	1H	300

Notes: Flare Permit No. 31507 includes Lindsay 9 No. 5H in Phantom (Wolfcamp) Field. Flare Permit No. 31505 includes CBR 32 No. 7H in Phantom (Wolfcamp) Field.

RKI 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. RKI was granted an administrative exception to Statewide Rule 32 for various flare points in the Phantom (Wolfcamp) and Sandbar (Bone Spring) Fields that are due to expire in late February and early March 2018.
2. On February 2, 2018, the Commission received a hearing request from RKI to extend current Statewide Rule 32 exceptions.
3. The wells completed in the Phantom (Wolfcamp) Field that are the subject of Oil and Gas Docket No. 08-0309279 (Table 1) flared approximately 2.7% of total gas production between January 2017 and July 2017.
  - a. Three events caused an increase in flare volumes beginning in August of 2017.
    - i. The first event was Hurricane Harvey. RKI received a letter from DBM informing RKI of a force majeure event impacting NGL sales and capacity. RKI received a similar letter from ETC informing RKI of a force majeure affecting ETC's plants due to Hurricane Harvey.
    - ii. The second event was a fire which shut down a compressor station on August 9, 2017.
    - iii. The third event was a fire which shut down a compressor station on November 7, 2017.
    - iv. RKI obtained administrative flare permits due to these unexpected events, but these flare permits reached their maximum 180-day administrative exception around March 1, 2018.
  - b. RKI completed 8 new wells in the Phantom (Wolfcamp) Field in August 2017 and an additional 3 wells in September of 2017.
  - c. Despite the hurricane and fire events, only 12.7% of total gas production was flared between August 2017 and January 2018. The

total flare volumes have been steadily decreasing since September 2017, averaging 1,931 Mcfd during January 2018.

- d. The hurricane and fire events demonstrate the unpredictability of gas sales, and RKI has exhausted the 180-day administrative exceptions.
4. For Oil and Gas Docket No. 08-0309279, RKI requests authorization to flare the volumes listed in Table 2 from March 1, 2018 to March 1, 2020.
  5. The wells completed in the Sandbar (Bone Spring) Field, Loving and Reeves Counties (Table 2) flared approximately 1.3% of total gas production between January 2017 and July 2017.
    - a. Three events caused an increase in flare volumes beginning in August of 2017.
      - i. The first event was Hurricane Harvey. RKI received a letter from DBM informing RKI of a force majeure event impacting NGL sales and capacity. RKI received a similar letter from ETC informing RKI of a force majeure affecting ETC's plants due to Hurricane Harvey.
      - ii. The second event was a fire which shut down a compressor station on August 9, 2017.
      - iii. The third event was a fire which shut down a compressor station on November 7, 2017.
      - iv. RKI obtained administrative flare permits due to these unexpected events, but these 180-day administrative permits expire around March 1, 2018.
    - b. Despite the hurricane and fire events, only 8.8% of total gas production was flared between August 2017 and January 2018.
    - c. The hurricane and fire events demonstrate the unpredictability of gas sales, and RKI has exhausted the 180-day administrative exceptions.
    - d. RKI requests authorization to flare the volumes listed in Table 4 from March 1, 2018 to March 1, 2020.
  6. RKI 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.


**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 extend current Statewide Rule 32 exceptions for the flare points listed in Tables 2 and 4 for a period of two years, effective March 1, 2018.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Clayton Hoover  
Administrative Law Judge