

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0318701

APPLICATION OF RILEY PERMIAN OPERATING CO., LLC (712217) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SHIPROCK 638 LEASE, WELL NOS. 3H AND 4H, PLATANG (SAN ANDRES) FIELD (71823666), YOAKUM COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas (“Commission”) finds that after notice in the above-docketed case was provided to all parties entitled to notice, a hearing was heard on June 5, 2019 by a Commission Technical Examiner and Administrative Law Judge. This proceeding was duly submitted to the Commission at a conference held in its offices in Austin, Texas. After considering this matter, the Commission adopts the following findings of fact and conclusions of law.

Findings of Fact

1. Riley Permian Operating Co., LLC (“Riley” or “Applicant”) seeks a two-year exception to Statewide Rule 32 (“Statewide Rule 32”) for authority to flare a maximum of 4,000 thousand cubic feet per month (“Mcf/mo”) of casinghead gas from April 10, 2019, through April 9, 2021, from a single flare point for the Shiprock 638 (70576) Lease (“Lease”), in the Platang (San Andres) Field, Yoakum County, Texas.
2. Riley submitted a request for hearing on the Statewide Rule 32 exception flaring authority request on March 5, 2019.
3. Riley was previously granted an administrative exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 500 Mcfd from the Lease. This administrative flaring authority (Permit No. 29553) expired on July 9, 2017. A second administrative exception to SWR 32 was granted to flare a maximum casinghead gas volume of 500 Mcfd from the Lease. This administrative flaring authority (Permit No. 29553) expired on October 8, 2017. Riley went to hearing to have an 18-month exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 500 Mcfd from the Lease. O&G Docket No. 8A-0306235 was granted and the 18-month extension authority (Permit No. 29553) expired on April 19, 2019.
4. On April 26, 2019 the Hearings Division of the Commission sent a Notice of Hearing (“Notice”) to the Applicant and all offsetting operators in the field setting a hearing date of June 5, 2019. Consequently, the parties received more than 10 days’ notice. The Notice contains (1) a statement of the time, place, and nature of

the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on June 5, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

5. The well is dedicated by contract for delivery into a gas gathering system operated by Stakeholder Midstream, LLC.
6. The Stakeholder gas gathering system and gas plant commenced operations in December 2018, however, the plant has insufficient gas compression to take gas from the Shiprock 638 lease. To address the intermittent gas sales due to insufficient compression, the Stakeholder gathering line can offload the Shiprock 638 Lease to Targa, however, this is on an interruptible basis.
7. Based on a production rates, the estimated volume of casinghead gas to be flared would be a maximum of 4,000 MCF/mo.
8. The requested Statewide Rule 32 exception to flare a maximum of 4,000 Mcf/mo of casinghead gas is necessary for Riley to produce the recoverable oil from the Lease.
9. At the hearing, Riley agreed on the record that the Final Order in this docketed case, is to be final and effective when a Master Order relating to this Final Order is signed.

Conclusions of Law

1. Proper notice was issued to persons entitled to notice. *See, e.g.,* Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. *See, e.g.,* Tex. Nat. Res. Code § 81.051.
3. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law unless authorized. 16 Tex. Admin. Code § 3.32(b).
4. Statewide Rule 32 provides exceptions allowing the flaring of gas if certain requirements are met and the flaring is necessary. *See, e.g.,* 16 Tex. Admin. Code § 3.32(f), (h).
5. Riley has met the requirements in Statewide Rule 32 to flare a maximum of 4,000 Mcf/mo of casinghead gas and the flaring of such gas is necessary.

6. Pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order can be final and effective on the date a Master Order relating to this Final Order is signed.

Ordering Provisions

It is **ORDERED** that Riley Permian Operating Co., LLC (712217), Inc. is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of 133 Mcfd limited to 4,000 Mcf per month, of casinghead gas from the Lease from April 10, 2019 through April 9, 2021, as reflected in attached Attachment A is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Riley shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the required fee for a Statewide Rule 32 exception for each individual flare point on the Lease. See 16 Tex. Admin. Code § 3.32(h)(1).

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and the agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order is signed.**

Signed on August 6, 2019

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated August 6, 2019)**

ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Permit Start Date (1)	Permit End Date	Maximum Flare Volume (Mcf/d & Mcfm)	Casinghead Gas or Gas Well Gas
29553	Not Applicable	Shiprock 638 Lease	April 10, 2019	April 9, 2021	133 Mcfd 4,000 Mcfm	Casinghead Gas

Note: Mcfd = Thousand Cubic Feet Per Day

Mcfm = Thousand Cubic Feet Per Month

- (1) ***Permit Start Date for each respective flare exception authority to be first day after expiration of the existing exception authority if application for hearing is filed with the commission at least 21 days prior to expiration of the existing exception authority, otherwise flaring exception authority start date will be the latter of the first day after expiration of the existing exception authority or the hearing request date, if approved.***