

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 8A-0319018**

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**APPLICATION OF RILEY PERMIAN OPERATING CO., LLC (712217) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE DESPERADO 538 LEASE (70596) AND THE LAZY HORSE 581-600 BATTERY (70603), PLATANG (SAN ANDRES) FIELD (71823666), YOAKUM COUNTY, TEXAS**

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**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 15,000 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 Desperado Commingled Battery (CP# 5498) and 15,000 Mcf/mo of casinghead gas from April 10, 2019, through April 9, 2021, from a single flare point for the Lazy Horse 581-600 Commingled Battery (CP# 5499), 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 19, 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 Desperado 538 Lease. This administrative flaring authority (Permit No. 29729) expired on July 19, 2017. A second administrative exception to Statewide Rule 32 was granted to flare a maximum casinghead gas volume of 1,000 Mcfd from the Lease. This administrative flaring authority (Permit No. 29729) expired on October 18, 2017. Riley went to hearing to have an 18-month exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 3,000 Mcfd from the Lease. O&G Docket No. 8A-0306236 was granted and the 18-month extension authority (Permit No. 29729) expired on April 19, 2019. Riley was previously granted an administrative exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 500 Mcfd from the Lazy Horse Commingled Battery. This administrative flaring authority (Permit No. 29723) expired on July 19, 2017. A second administrative

exception to Statewide Rule 32 was granted to flare a maximum casinghead gas volume of 1,000 Mcfd from the Lease. This administrative flaring authority (Permit No. 29723) expired on October 18, 2017. Riley went to hearing to have an 18-month exception to Statewide Rule 32 to flare a maximum casinghead gas volume of 3,000 Mcfd from the Lease. O&G Docket No. 8A-0306236 was granted and the 18-month extension authority (Permit No. 29729) expired on April 19, 2019.

4. On April 26, 2019 the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to 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. Production from the Desperado E 538 and the Desperado W 538 Leases is surface commingled under Surface Commingling Permit No. 8A-5498 and share a common flare stack.
6. Production from the Lazy Horse 581, Lazy Horse A 581-600, Lazy Horse 581-600 B, and the Lazy Horse 581-600 'C' Wells is surface commingled under Surface Commingling Permit No. 8A-5499 and share a common flare stack.
7. The wells are dedicated by contract for delivery into a gas gathering system operated by Stakeholder Midstream, LLC.
8. The Stakeholder gas gathering system and gas plant commenced operations in late December 2018, however, the plant has been hindered by insufficient gas compression, emergency shutdowns, problems with the nitrogen rejection unit and acid gas injection well.
9. An additional (fourth) compressor was installed and brought online in April 2019. When the operational problems with the Stakeholder gas plant are resolved Stakeholder should be able to take 100% of the casinghead gas except during upset conditions.
10. Based on a production rates, the estimated volume of casinghead gas to be flared would be a maximum of 15,000 Mcf/mo for the Desperado Commingled Battery and a maximum of 15,000 Mcf/mo of casinghead gas from the Lazy Horse Commingled Battery.

11. The requested Statewide Rule 32 exception to flare a maximum of 15,000 Mcf/mo of casinghead gas for Desperado 538 Commingled Battery (CP# 5498) and 15,000 Mcf/mo for the Lazy Horse Commingled Battery (CP# 5499) is necessary for Riley to produce the recoverable oil from each well.
12. 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 15,000 Mcf/mo of casinghead gas from the Desperado Commingled Battery (CP# 5498) and to flare a maximum of 15,000 Mcf/mo of casinghead gas from the Lazy Horse Commingled Battery (CP# 5499) 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 500 Mcfd limited to 15,000 Mcf per month, of casinghead gas from the Desperado Commingled Battery and the Lazy Horse Commingled Battery 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 Unprotected Master  
Order dated August 6, 2019)**

**ATTACHMENT A – PROPOSED FLARE EXCEPTION AUTHORITY**

<b>Permit No.</b>	<b>Commingle Permit No. (If Applicable)</b>	<b>Lease Name, Individual Flare Stacks</b>	<b>Permit Start Date (1)</b>	<b>Permit End Date</b>	<b>Maximum Flare Volume (Mcf/d &amp; Mcfm)</b>	<b>Casinghead Gas or Gas Well Gas</b>
29729	5498	Desperado Commingled flare	April 10 2019	April 9, 2021	500 Mcfd 15,000 Mcfm	Casinghead Gas
29723	5499	Lazy Horse Commingled flare	April 10, 2019	April 9, 2021	500 Mcfd 15,000 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.*