

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 08-0321426

APPLICATION OF RIO OIL AND GAS (PERMIAN) II, LLC (712803) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE EXPEDITION STATE UNIT 71-67 LEASE, WELLS NOS. 1H, 2H, AND 4H, PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that after a notice of hearing in the above-docketed case was provided to all parties entitled to notice, a hearing was heard on August 30, 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. Rio Oil and Gas (Permian) II, LLC ("Rio") seeks a two-year exception to Statewide Rule 32 ("Statewide Rule 32") for authority to flare:
 - a. a maximum of 2,000 thousand cubic feet per day ("Mcf/d"), limited to 12,500 thousand cubic feet per month ("Mcf/m"), of casinghead gas from July 24, 2019, to July 23, 2021, from the flare stack located at the Expedition State Unit 71-67 Lease, Well No. 1H, in the Phantom (Wolfcamp) Field, Reeves County, Texas (the "1H Flare Stack"),
 - b. a maximum of 2,000 Mcfd, limited to 12,500 Mcfm, of casinghead gas from July 24, 2019, to July 23, 2021, from the flare stack located at the Expedition State Unit 71-67 Lease, Well No. 2H, in the Phantom (Wolfcamp) Field, Reeves County, Texas (the "2H Flare Stack"), and
 - c. a maximum of 2,000 Mcfd, limited to 12,500 Mcfm, of casinghead gas from July 24, 2019, to July 23, 2021, from the flare stack located at the Expedition State Unit 71-67 Lease, Well No. 4H, in the Phantom (Wolfcamp) Field, Reeves County, Texas (the "4H Flare Stack").
2. Rio submitted a request for hearing on the Statewide Rule 32 exception flaring authority on July 2, 2019.

3. Rio was previously granted administrative exceptions to Statewide Rule 32 to flare:
 - a. a maximum casinghead gas volume of 500 Mcfd from the 1H Flare Stack, under Flare Permit No. 40004, expiring July 23, 2019,
 - b. a maximum casinghead gas volume of 2000 Mcfd from the 2H Flare Stack, under Flare Permit No. 39997, expiring July 23, 2019, and
 - c. a maximum casinghead gas volume of 1,500 Mcfd from the 4H Flare Stack, under Flare Permit No. 39998, expiring July 23, 2019.
4. On August 7, 2019 the Hearings Division of the Commission sent a Joint Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of August 30, 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 August 30, 2019 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
5. The casinghead gas from the Expedition 71-67 Lease, Well Nos. 1H, 2H, and 4H, is dedicated to, gathered and purchased by Delaware Basin Midstream, LLC ("DBM").
6. DBM does not always have capacity for 100% of the gas produced from the wells on the Expedition State Unit 71-67 Lease.
7. Flaring at the flare stacks located on the Expedition 71-67 Lease is due to DBM's high sales line pressure and generally limited to a few hours per event.
8. When DBM's line pressure exceeds 150 pounds per square inch, the casinghead gas production from Expedition State Unit 71-67 Lease is automatically directed to the respective well's flare stack for on-site combustion.
9. DBM is installing compression to expand their ability to take an additional 80,000 Mcfd of gas by the end of 2019.
10. Based on a table of historic gas production and disposition from the Expedition State Unit 71-67 Lease, the estimated volume of gas to be flared from the:
 - a. 1H Flare Stack would be a maximum of 2,000 Mcfd, limited to 12,500 Mcfm,

- b. 2H Flare Stack would be a maximum of 2,000 Mcfd, limited to 12,500 Mcfm, and
 - c. 4H Flare Stack would be a maximum of 2,000 Mcfd, limited to 12,500 Mcfm.
11. The requested Statewide Rule 32 exception to flare gas is necessary for Rio to produce the recoverable hydrocarbon liquids from the Expedition State Unit 71-67 Lease, Well Nos. 1H, 2H, and 4H.
 12. At the hearing, Rio 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. 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. Rio has met the requirements in Statewide Rule 32 to flare 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 Rio is granted a two-year exception to Statewide Rule 32. Its request for authority to flare a maximum of: 2,000 Mcfd, limited to 12,500 Mcfm, of casinghead gas from the 1H Flare Stack; 2,000 Mcfd, limited to 12,500 Mcfm, of casinghead gas from the 2H Flare Stack, and 2,000 Mcfd, limited to 12,500 Mcfm, of casinghead gas from the flare stack located at Well No. 4H, all located on the Expedition

State Unit 71-67 Lease, from July 24, 2019 to July 23, 2021, as reflected in attached Attachment A, is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Rio 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 Expedition State Unit 71-67 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 October 1, 2019

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotected Master
Order dated October 1, 2019)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Permit No.	Commingle Permit No. (If Applicable)	Lease Name, Individual Flare Stacks	Permit Start Date	Permit End Date	Maximum Flare Volume (Mcf/d & Mcf/m)	Casinghead Gas or Gas Well Gas
40004	N/A	Expedition State Unit 71-67, Well No. 1H	July 24, 2019	July 23, 2021	2,000 Mcfd 12,500 Mcfm	Casinghead Gas
39997	N/A	Expedition State Unit 71-67, Well No. 2H	July 24, 2019	July 23, 2021	2,000 Mcfd 12,500 Mcfm	Casinghead Gas
39998	N/A	Expedition State Unit 71-67, Well No. 4H	July 24, 2019	July 23, 2021	2,000 Mcfd 12,500 Mcfm	Casinghead Gas

Note:
Mcf/d = Thousand Cubic Feet per Day
Mcf/m = Thousand Cubic Feet Per Month