

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0322356

**APPLICATION OF RILEY PERMIAN OPERATING CO., LLC (OPERATOR NO. 712217)
FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE WESTERN SKIES (70560)
LEASE, WELL NOS. 1XH AND 2XH, PLATANG (SAN ANDRES) FIELD, 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 October 2, 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 (712217) ("Riley") seeks a two-year exception to 16 Tex. Admin. Code §3.32 ("Statewide Rule 32") for authority to flare casinghead gas at the Western Skies 600-645 (70560) Lease ("Lease"), Well Nos. 1XH and 2XH, in the Platang (San Andres) Field ("Field") (Field No. 71823666) in Yoakum County, Texas.
2. Riley submitted its request for a hearing on August 6, 2019.
3. On September 4, 2019, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to the Applicant and offsetting operators in the field setting a hearing date of October 2, 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.
4. The hearing was held on October 2, 2019, as noticed. The Applicant appeared and participated in the hearing. The Applicant was represented by Mr. Bill. G. Spencer, consultant, and Mr. James Clark, P.E. No one appeared in protest at the hearing.
5. The Commission previously granted Riley an exception to Statewide Rule 32 through Final Order No. 8A-0309420, to flare a maximum gas volume of 1,000 thousand cubic feet per day ("Mcf/d"), expiring March 10, 2018, under Exception Flare No. 27923.

6. The wells associated with the Lease and flare point are connected to a gas sales line. Prior to late-December 2018, the casinghead gas was gathered and purchased by Targa Midstream Services, LLC. ("Targa"). In late-December 2018, the dedication contract was transferred from Targa to Stakeholder Midstream, LLC ("Stakeholder"). Starting late-December 2018, Stakeholder purchased and conveyed the casinghead gas to their gas plant. Gas plant problems hindered Stakeholder's ability to take 100 percent of the casinghead gas, but up-graded equipment has recently minimized gas flaring due to increased gas capacity. In July and August 2019, approximately 1.5 percent of total gas produced was flared compared to almost 100 percent prior to December 2018.
7. Gas production volumes were utilized to establish the daily maximum flare volumes that are anticipated at the Lease during flaring events caused by routine operational maintenance and system upsets. The gas production volumes for an 8-month period was utilized to establish maximum flare volumes because the data represented the current operational conditions at the Lease. A maximum daily flare volume of 386 Mcfd, with a maximum monthly flare volume of 3,935 thousand cubic feet per month ("Mcfm") was established for the Lease to address periods of routine operational maintenance and system upsets. The authorized exception to Statewide Rule 32 is for a two-year period from September 11, 2019 to September 10, 2021.
8. The requested Statewide Rule 32 exception to flare 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). Riley has met the requirements in Statewide Rule 32 to flare casinghead gas with maximum gas volume(s) and authorized flaring periods as established on Attachment A of this Final Order. The volumes are based on production data.

5. Riley has met the requirements in Statewide Rule 32 to flare casinghead gas based on maintenance issues and their associated minor upsets which are routine oil and gas production operations and not operating emergency system upsets or other unplanned conditions. See, e.g., 16 Tex. Admin. Code § 3.32(f), (h)(5).
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) is granted a two-year exception to Statewide Rule 32 for the Lease under Exception No. 27923. Riley's request for authority to flare a maximum of 386 Mcfd of casinghead gas with a monthly volume limit of 3,935 Mcfm from September 11, 2019 to September 10, 2021, a two-year period, as reflected in 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 February 11, 2020

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master Order
dated February 11, 2020)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Flare Exc. No. (3)	Commingle Permit No. or Lease No. (If Applicable)	Lease Name, Individual Flare Stacks	Flare Exc. Start Date	Flare Exc. End Date	Previous Exception Authority <i>Expiring Date and Approved Flaring Volumes</i>	Maximum Flare Volumes Mcf (1) Mcfm (2)	Casinghead Gas or Gas Well Gas
27923	70560	Western Skies 600-645	9/11/2019	9/10/2021	Final Order 8A-0309420 09/10/2019 1,000 Mcfd	386 Mcfd 3,935 Mcfm	Casinghead

Notes:

Mcf = Thousand Cubic Feet Per Day

Mcfm = Thousand Cubic Feet Per Month

(1) = Mcfd based on the average daily maximum volume production data for wells connected to the flare point over a five-month period, from April to August 2019.

(2) = Mcfm based on the maximum volume for monthly gas production for wells connected to the flare point for the most recent 8-month period, January to August 2019.

(3) = Flare Exc. refers to the flare exception in SWR 32.