

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00001396

APPLICATION OF RILEY PERMIAN OPERATING CO, LLC (712217) FOR AN EXCEPTION PURSUANT TO STATEWIDE RULE 32 FOR THE BRUSHY BILL 707-730 LEASE, WELL NO. 1XH, BRUSHY BILL 707-730 E #25XH, CATTLE DRIVE 665 #4H, PLATANG (SAN ANDRES) FIELD, YOAKUM COUNTY, TEXAS, DISTRICT 8A

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 December 5, 2019, by a Commission Technical Examiner and Administrative Law Judge ("Examiners"). 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 16 Tex. Admin. Code § 3.32 ("Statewide Rule 32") for authority to flare 2000 thousand cubic feet per day ("Mcf/d"), limited to 55,000 thousand cubic feet per month ("Mcfm") of casinghead gas from October 11, 2019, to October 10, 2021, from the Brushy Bill Central Flare Point ("Brushy Bill CFP"), Platang (San Andres) Field, Yoakum County, Texas.
2. Riley submitted a request for hearing for the Statewide Rule 32 exception dated October 11, 2019.
3. On November 6, 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 December 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.
4. The hearing was held on December 5, 2019, as noticed. Applicant appeared and participated at the hearing. No protest was received.
5. A ten-day letter was issued on December 13, 2019, adding two leases to the docket caption, not originally included in the request for hearing.
6. The Commission previously granted Riley an administrative exception and exception by final order (Oil and Gas Docket No. 8A-0312923) to Statewide Rule

- 32 to flare casinghead gas from various flare points and their associated Subject Lease(s) identified in Attachment A to this Final Order.
7. Riley requested this hearing to adjust the requested volume due to 3 new wells added on the subject leases.
 8. The leases' gas is gathered and sold to Stakeholder Midstream, LLC. ("Stakeholder"). All the subject leases are connected to a sales pipeline.
 9. The Stakeholder lines were constructed to handle sparse vertical well development and are inadequate to take the amounts of casinghead gas produced by densely developed horizontal production.
 10. The subject leases are at the outer limits of Stakeholder's gathering system. This results in relatively high line pressure and generally above Riley's production equipment.
 11. The leases' gas is dedicated to Stakeholder. Due to the high percentages of produced casinghead gas not able to enter the sales line, Riley is waiting on Stakeholder to work out its operational issues at its gas plant and take a larger percentage of Riley's gas.
 12. Based on the evidence admitted into the record, the Examiners recommended reducing the monthly volumes requested by Applicant to 45,000 Mcfm on the Brushy Bill CFP
 13. Due to high percentages of flared gas to produced gas the Examiners recommend a one-year term of exception.
 14. Since the previous final order was issued Riley has upgraded its surface equipment (free-water knockout) in an attempt to sell more of its produced gas. These upgrades have helped but Riley has also added 3 new wells necessitating a higher authorized flaring volume to account for the new production.
 15. The casinghead gas well production rates and flaring histories for the Subject Leases and associated wells were utilized to establish the maximum daily flare volumes and monthly flare volumes limitations anticipated for routine maintenance and system upsets. The authorized exception to Statewide Rule 32 for each separate flare point is identified in Attachment A to this Final Order.
 16. The daily and monthly limiting volumes of flared gas requested by Applicant are less than historical peak daily production and historical flared volumes.
 17. The recommended Statewide Rule 32 exception to flare casinghead gas is necessary for Riley to produce the recoverable oil from the subject leases.

18. 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 casinghead gas based on pipeline capacity, inlet pressure limitations, 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 is granted a one-year exception to Statewide Rule 32 to flare casinghead gas from the Brushy Bill Central Flare Point, Platang (San Andres) Field, Yoakum County, Texas. The maximum daily and monthly flare volumes for the flare point is identified in Attachment A to this Final Order.

This authority is granted, provided all production is reported on the appropriate Commission forms. Within 30 days of the effective date of this order, Applicant shall file the Statewide Rule 32 Exception Data Sheet and the required fee for a Statewide Rule 32 exception for each flare point. *See* 16 Tex. Admin. Code § 3.32(h)(1). This order, and the authority to flare granted herein, is **VOID** if the required fee is not paid by Applicant within 30 days of the effective date of this order.

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 this Final Order is final and effective on the date the Master Order relating to this Final Order is signed.**

Signed on April 21 2020

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated April 21, 2020)**

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Exception No.	Commingle Permit No. or Lease No. (If Applicable)	Lease Name, Individual Flare Stacks	Exception Start Date	Exception End Date	Administrative Exception Authority <i>Expiring Date and Approved Flaring Volumes</i>	Maximum Flare Volumes Mcfd (1) Mcfm (2)	Casinghead Gas or Gas Well Gas
32942	NA	Brushy Bill CFP	10/11/2019	10/10/2020	(1) Admin. 5/2/2018 500 Mcfd (2) Admin. 8/1/2018 500 Mcfd (3) Final Order (8A-0312923) 8/2/2020 1,000 Mcfd	2,000 Mcfd 45,000 Mcfm	Casinghead

Note:

Mcfd = Thousand Cubic Feet Per Day

Mcfm = Thousand Cubic Feet Per Month

(1) = Mcfd based on daily gas production

(2) = Mcfm based on gas production, flare volumes and flaring frequency