

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. OG-19-00001732

**APPLICATION OF RIO OIL AND GAS PERMIAN II, LLC (712803) FOR AN
EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES AND WELLS,
PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS; DISTRICT 08**

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 January 22, 2020, 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 (“Rio” or “Applicant”) seeks an amendment to the existing two-year exception to Statewide Rule 32 for various leases and wells, to reflect wells’ reclassification from oil to gas well.
2. The Final Order in Oil and Gas Docket No. 08-0321428 authorized flaring of 4,400 thousand cubic feet per day (“Mcf/d”) and 40,000 thousand cubic feet per month (“Mcfm”) between July 24, 2019 and July 23, 2021 from the flaring point related to the Darcy State 22 Lease.
3. The Final Order in Oil and Gas Docket No. 08-0321426 authorized flaring of 2,000Mcf/d/12,500Mcfm from Well No. 1H, Expedition State Unit 71-67, 2,000Mcf/d/12,500Mcfm from Well No. 2H, Expedition State Unit 71-67, and 2,000Mcf/d/12,500Mcfm from Well No. 4H, Expedition State Unit 71-67 between July 24, 2019 and July 23, 2021.
4. The subject wells were administratively reclassified from oil to gas well through Oil and Gas Docket No. 08-0303885 adopting special field rules for the Phantom (Wolfcamp) Field.
5. Over the course of the current flaring exception the percentage of the gas flared against the total production for the subject flare points is as follows:

Flare Point	Darcy State 22	Expedition State 71-67, 1H	Expedition State 71-67, 2H	Expedition State 71-67, 4H
Flared %	12.6%	0.1%	0.3%	1.6%

6. On October 31, 2019, Rio requested a hearing for an amendment to the existing exception to Statewide Rule 32 for the subject wells.
7. On January 10, 2020 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 January 22, 2020. 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 January 22, 2020 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
8. The Statewide Rule 32 exception for the four flare points in this application was originally requested due to high line pressure within the gas gathering system, which was generally limited to a few hours per event. Following the reclassification of the subject wells, these routine system upsets continue to occur and are ongoing. Rio maintains that frequent, intermittent shutting-in of wells would result in the waste of reservoir energy and recoverable hydrocarbon liquids. However, the existing flaring exception does not authorize Applicant to flare gas well gas.
9. The requested daily rates listed in the Attachment A are based on the highest daily volumes on the record. The applicant believes the worst-case flaring scenario would involve flaring of maximum daily flaring rate for no more than six calendar days in a month on a monthly basis.
10. Rio agreed to reduce the monthly flaring volume going forward from the hearing date due to anticipated decrease in production on the Darcy State 22 Lease. The reduction in maximum monthly flaring rate would apply from January 22, 2020 through July 23, 2021, from 40,000Mcfm to 28,000Mcfm. The period from July 24, 2019, when the exception was originally granted until the hearing date of January 21, 2020, will remain at 40,000 Mcfm, as any retroactive reduction would cause violation the previously approved exception condition.
11. Rio agreed that the Final Order in this 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. Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. Tex. Nat. Res. Code § 81.051.
3. Rio meets the requirements in Statewide Rule 32 to flare of casinghead gas from flaring points, rates, and time periods listed in the Attachment A.
4. This Final Order is final and effective on the date a Master Order relating to this Final Order is signed. Tex. Gov't Code § 2001.144(a)(4)(A).

Ordering Provisions

It is **ORDERED** that Rio Oil and Gas (Permian) II (712803), be granted an exception to Statewide Rule 32 for the for the maximum volumes and time periods reflected in attached Attachment A and the request for flaring be **APPROVED**.

The authority is granted, provided all production is reported on the appropriate Commission forms. The operator shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the appropriate Commission required administrative Statewide Rule 32 Exception gas flaring fee for the facility.

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant in writing or on the record, **the party has 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 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 – PROPOSED FLARE EXCEPTION AUTHORITY(IES)

Permit No.	Commingled Permit No. (if applicable)	Lease Name	Exception Start Date	Exception End Date	Maximum Flare volume (Mcf/d & Mcf/m*)	Casinghead Gas or Gas Well Gas
40002		Darcy State 22 CFP	July 24, 2019	January 21, 2020	4,400 Mcfd 40,000 Mcfm	Gas Well Gas
40002		Darcy State 22 CFP	January 22, 2020	July 23, 2021	4,400 Mcfd 28,000 Mcfm	Gas Well Gas
10004		Expedition State Unit 71-67, #1H	July 24, 2019	July 23, 2021	2,000 Mcfd 12,500 Mcfm	Gas Well Gas
39997		Expedition State Unit 71-67, #2H	July 24, 2019	July 23, 2021	2,000 Mcfd 12,500 Mcfm	Gas Well Gas
39998		Expedition State Unit 71-67, #3H	July 24, 2019	July 23, 2021	2,000 Mcfd 12,500 Mcfm	Gas Well Gas