



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0276726

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THE APPLICATION OF RILEY EXPLORATION, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE JOEY SMITH LEASE, WELL NO. 3H, EAGLEVILLE (EAGLE FORD-1) FIELD, LA SALLE COUNTY, TEXAS

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HEARD BY: Brian Fancher - Technical Examiner  
Laura Miles-Valdez - Legal Examiner

EXAMINERS' REPORT PREPARED BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: September 5, 2012

APPEARANCES: REPRESENTING:

APPLICANT:

Dale E. Miller

Riley Exploration, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Riley Exploration, LLC ("Riley") requests an exception to Statewide Rule 32 to flare casinghead gas from the Joey Smith Lease, Well No. 3H (API No. 42-283-32295), Eagleville (Eagle Ford-1) Field, La Salle County, Texas.

Notice was provided to offset operators surrounding the above referenced leases. The well that is the subject of this hearing has not had a permit authorizing an exception to the no flaring provision of Statewide Rule 32 since November 7, 2011.

The application is unopposed and the examiners recommend approval of the application, as requested by Riley, from the date of the hearing through December 14, 2012.

**DISCUSSION OF THE EVIDENCE**

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h)

provides that an exception to flare natural gas in volumes greater than 50 MCFGPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions beyond 180 days shall be granted only in a final order signed by the Commission. In addition, Statewide Rule 32(i) requires that the operator, to avoid a lapse in its permit, request a hearing at least 21 days prior to the expiration of the administrative permit. In the context of the subject applications, Riley is requesting to flare casinghead gas produced from the above listed wells from the completion date through the end date noted for each well, as provided by Statewide Rule 32(h).

The subject well in this application is completed in the Eagleville (Eagle Ford-1) Field in La Salle County, Texas. This area of the field lacks existing oil and gas infrastructure for new gas production.

Riley submitted a copy of the Commission Form W-2 filed for its Joey Smith Lease, Well No. 3H, that was completed on September 19, 2010. The well produced 501 BOPD, 835 MCFGPD and 556 BWPD with a gas-oil ratio of 1,666 cubic feet per barrel. Riley received administrative Permit No. 10084 to flare 610 MCFPD of casinghead gas from its Joey Smith Lease, Well No. 3H. The permit was effective October 14, 2010, and expired on March 15, 2011, after one extension, which totaled 150 days. Riley received administrative Permit No. 10564 to flare 220 MCFPD of casinghead gas from its Joey Smith Lease, Well No. 3H. The permit was effective July 8, 2011, and expired on November 6, 2011, after one extension, which totaled 120 days.

Riley's two administrative permits totaled 270 days, which exceeds the maximum 180 days allowed by Statewide Rule 32. Riley requested a hearing on June 4, 2012, and the hearing was held on September 5, 2012. To date, Riley has been in violation of Statewide Rule 32 for two periods from March 16, 2011, through July 7, 2011, and November 7, 2011, until the date of the hearing. Through July 2012, Riley has flared a total of 158.5 MMCFG.

Riley signed a base gas sales contract with Chesapeake Energy Marketing, Inc., that was dated March 1, 2011. Riley's new producing well was connected to the gas gathering pipeline on December 14, 2012. Riley requests to flare 220 MCFPD of casinghead gas from the Joey Smith Lease, Well No. 3H, from the date of the hearing through December 14, 2012.

#### **FINDINGS OF FACT**

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. There were no protests to the application.
2. The subject well in this application is completed in the Eagleville (Eagle Ford-1) Field in La Salle County, Texas. This area of the field lacks existing oil and gas infra-structure for new gas production.

3. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
4. The Joey Smith Lease, Well No. 3H, was completed on September 19, 2010 and produced 501 BOPD, 835 MCFGPD and 556 BWPD with a gas-oil ratio of 1,666 cubic feet per barrel.
  - a. Riley Exploration, LLC ("Riley") received administrative Permit No. 10084 to flare 610 MCFPD of casinghead gas from its Joey Smith Lease, Well No. 3H. The permit was effective October 14, 2010, and expired on March 15, 2011, after one extension, which totaled 150 days.
  - b. Riley received administrative Permit No. 10564 to flare 220 MCFPD of casinghead gas from its Joey Smith Lease, Well No. 3H. The permit was effective July 8, 2011, and expired on November 6, 2011, after one extension, which totaled 120 days.
  - c. Riley's two administrative permits totaled 270 days, which exceeds the maximum 180 days allowed by Statewide Rule 32.
  - d. Riley requested a hearing on June 4, 2012, and the hearing was held on September 5, 2012.
  - e. To date, Riley has been in violation of Statewide Rule 32 for two periods from March 16, 2011, through July 7, 2011, and November 7, 2011, until the date of the hearing. Through July 2012, Riley has flared a total of 158.5 MMCFG.
5. Riley signed a base gas sales contract with Chesapeake Energy Marketing, Inc., that was dated March 1, 2011. Riley's new producing well was connected to the gas gathering pipeline on December 14, 2012.
6. An exception to Statewide Rule 32 for the Joey Smith Lease, Well No. 3H, for a permit to flare 220 MCFPD of casinghead gas from the date of the hearing through December 14, 2012, is appropriate.

#### **CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable statutes and regulatory codes.

2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested authority pursuant to Statewide Rule 32 will prevent waste, will not harm correlative rights and will promote development of the field.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to Statewide Rule 32 from the date of the hearing through December 14, 2012, for the Joey Smith Lease, Well No. 3H, Eagleville (Eagle Ford-1) Field, as requested by Riley Exploration, LLC.

Respectfully submitted,



Richard D. Atkins, P.E.  
Technical Examiner



Laura Miles-Valdez  
Legal Examiner