



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0317770

APPLICATION OF PARSLEY ENERGY OPERATIONS, LLC (642652) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE TREE STATE 24-25H LEASE (LEASE NO. 08-50538), PHANTOM (WOLFCAMP) FIELD, PECOS COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: April 16, 2019
CONFERENCE DATE: May 21, 2019

APPEARANCES: Davin McGinnis (Attorney)
James M. Clark (Engineer)

REPRESENTING: Parsley Energy Operations, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Parsley Energy Operations, LLC ("Parsley") seeks a Statewide Rule 32 exception for the Willow State 24-25 Unit (former known as the "Trees State 24-25"). Parsley requests to extend its current exception to Statewide Rule 32 for a period of two years, to flare a maximum of 2,700 thousand cubic feet per day ("MCFD"). Notice of the application was provided to all operators adjacent to the section where the flare point is located. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

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 MCFD may be granted administratively for a period up to 180 days. Statewide Rule 32(j), *Opportunity for Hearing*, states that an operator may request a hearing on any application for an exception or exception renewal required by this section. Beyond that, Statewide

Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

Parsley was granted Statewide Rule 32 Exception Permit No. 32858, effective January 3, 2018, to April 30, 2018, to flare a maximum of 1,500 MCFD of casinghead gas increasing to a maximum of 2,600 MCFD for the flare point servicing the Trees State 24-25 (Lease No. 08-50538) in the Phantom (Wolfcamp) Field in Pecos County. Permit No. 32858 was renewed administratively, effective October 3, 2018 to December 21, 2018, to flare a maximum of 755 MCFD. This permit was granted administratively for a total period of 142 days due to oxygen issues with the gathering system.

During the hearing, James M. Clark presented in testimony that the Trees State 24-25 (Lease No. 08-50538) was renamed the Willow State Unit 24-25, and Parsley obtained a permit to surface commingle production from the Willow State Unit 24-25 and Elm State Unit (Surface Commingle Permit No. 08-8673).

Parsley seeks authorization to flare 2,700 MCFD from the Willow State Unit 24-25 Flare associated with Surface Commingle Permit No. 08-8673 from January 23, 2019 to January 23, 2021. The Willow State 24-25 Unit is connected to a gathering system, and Parsley utilizes gas sweetening equipment to treat casinghead gas to meet pipeline specifications. Flaring will be limited to upset conditions with the gas sweetening equipment, and oxygen contamination issues from changing the media in the gas sweetening equipment or oxygen contamination from vapor recovery units.

Flare Permit No.	Surface Commingle Permit	Permit Start Date	Permit End Date	Maximum Flare Volume (MCF/Day)	Additional Information
32858	08-8673	January 23, 2019	January 23, 2021	2,700	API No. 42-165-38644

Parsley agreed in writing or on the record that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. Notice of the application was provided to all operators adjacent to the section where the flare stack is located that services Surface Commingling Permit No. 08-8673 (formerly known as the "Trees State 24-25"). There were no protests to the application.

2. Parsley Energy Operations, LLC ("Parsley") seeks a Statewide Rule 32 exception renewal for the Willow State 24-25 Unit.
3. Parsley Energy Operations, LLC was granted Statewide Rule 32 Exception Permit No. 32858, effective January 3, 2018, to December 21, 2018, to flare a maximum of 1,500 MCFD of casinghead gas for 90 days, 2,600 MCFD for 27 days, and 755 MCFD for 25 days, for the central flare point servicing the Trees State 24-25 Lease in the Phantom (Wolfcamp) Field in Pecos County.
4. Statewide Rule 32 Exception Permit No. 32858 was granted administratively for a period of 142 days due to oxygen issues with the gathering system.
5. The Trees State 24-25 lease was renamed the Willow State 24-25 Unit.
6. Surface Commingle Permit No. 08-8673 was issued for the Willow State 24-25 Unit, which will service the Willow State 24-25 Unit and the Elm State Unit.
7. The casinghead gas produced by the oil wells must be treated prior gathering and purchasing. The casinghead gas is treated to meet the pipeline specifications.
8. The requested Statewide Rule 32 Exception is necessary for upset conditions with gas sweetening equipment when the treated gas does not meet pipeline specifications. Parsley also plans to utilize the flare during oxygen contamination issues during upset conditions when the media in the gas sweetening equipment must be changed or when oxygen contamination from vapor recovery from tanks.
9. If the authority to flare casinghead gas is not granted, Parsley Energy Operations, LLC would choke back the wells and produce casinghead gas at the 50 MCFD limit. The wells would be produced at a higher gas to oil ratio and would not utilize gas as efficiently.
10. Parsley Energy Operations, LLC agreed in writing or on the record that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

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. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed.

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 for the central flare point servicing the Surface Commingle Permit No. 08-8673 to flare a maximum of 2,700 MCFD of casinghead gas for a period of two years (January 23, 2019, to January 23, 2021) as requested by Parsley Energy Operations LLC.

Respectfully submitted,



Petar Buva
Technical Examiner



Jennifer Cook
Administrative Law Judge