



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0301236**

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**THE APPLICATION OF CARRIZO (PERMIAN) LLC FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE LIBERATOR CPF, MUSTANG CPF, AND THE PYTHIAN OATMAN CPF, FORD, WEST (WOLFCAMP) FIELD, CULBERSON COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Ryan Lammert – Administrative Law Judge

**HEARING DATE:** September 23, 2016  
**CONFERENCE DATE:** November 15, 2016

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Carrizo (Permian) LLC

George Neale  
Rick Johnston  
Rod Ceja

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Carrizo (Permian) LLC ("Carrizo") requests an exception to Statewide Rule 32 for the Liberator CPF, Mustang CPF, Pythian Oatman, and the Corsair CPF, Ford, West (Wolfcamp) Field, Culberson County, Texas. Notice was provided to offset operators and no protests were received. The application is unopposed, and the Technical Examiner and the Administrative Law Judge (collectively, "Examiners") recommend approval of an exception to Statewide 32 for the subject facilities as requested by Carrizo.

#### 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(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. On July 25,

2016, the Commission received a hearing request from Carrizo for an exception renewal to Statewide Rule 32 for the Liberator CPF (current flare permit No. 25813), Mustang CPF (current flare permit No. 26741) and the Pythian Oatman CPF (current flare permit No. 27305). A Notice of Hearing was mailed to all offset operators on August 5, 2016, with a hearing set for September 23, 2016. On August 18, 2016, the Commission received a request for hearing to add the Corsair CPF (current flare permit No. 27538) to the September 23, 2016 hearing. As a result, an amended notice of hearing was mailed to offset operators updating the list of facilities for which Carrizo is requesting an exception to Statewide Rule 32.

Under normal conditions all gas produced from each of the facilities will be sold. However, at times intermittent flaring is necessary as a result of operation upset situations. System upset situations arise as a result of gas pipeline-related issues, including pipeline pressure constraints, and periods when the gas does not meet the pipeline specifications for H<sub>2</sub>S limits, CO<sub>2</sub> limits, or water dew point limits. Operational issues also periodically arise due to compressor downtime.

Carrizo currently has existing flaring authority for all of these central production facilities (CPF). Carrizo LLC is seeking flaring authority for an additional period of time, and for an increase in volume for each of these facilities, for intermittent flaring only. In Final Order No. 08-0299257 the Commission granted flaring exception for wells completed in the Ford, West (Wolfcamp) Field that produce a large volume of gas condensate (liquids), and Carrizo's wells in this application are gas wells. Carrizo only intends to flare gas when it cannot be sold. If Carrizo is not granted authority to flare gas at times when the gas cannot be sold and are required to shut-in wells, it may result in lower ultimate recoveries (EURs) for the wells. Rod Ceja, Production Engineer for Carrizo (Permian) LLC testified that in the past some wells have been shut-in and did not return to original production rates. Mr. Ceja believes the exception to Statewide Rule 32 is necessary to prevent a reduction in EURs.

Carrizo is requesting an increase in flare volume compared to its previous flare permits for these facilities. This requested increase in flare volume is to ensure that as new wells are completed, Carrizo will not have to request a new hearing to change the volume during the next few months. For each of the central production facilities Carrizo is requesting to extend its current flare authority to January 23, 2017, and to increase the maximum volume flared for each facility to a maximum of 10,000 MCF per day.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to offset operators at least ten days' prior to the date of hearing. There were no protests to the application.
2. Carrizo requests to extend its current flaring authority to January 23, 2017.

- a. The existing flare authority for the Liberator CPF of 5,500 MCFD (Flare Permit No. 25813) expires August 17, 2016;
  - b. The existing flare authority for the Mustang CPF of 1,500 MCFD (Flare Permit No. 26741) expires September 15, 2016;
  - c. The existing flare authority for the Pythian Oatman CPF of 5,000 MCFD (Flare Permit No. 27305) expires September 8, 2016; and
  - d. The existing flare authority for the Corsair CPF of 4,000 MCFD (Flare Permit No. 27538) expires October, 2016.
3. Under normal circumstances Carrizo will be able to sell the gas. Due to system upsets, intermittent flaring may be necessary.
  4. Carrizo requested a hearing for an exception to Statewide Rule 32 prior to the expiration of the existing flaring authority for each facility:
    - a. On July 25, 2016, the Commission received a request that a hearing be held to consider approval of an exception to Statewide Rule 32 for the Liberator CPF, Mustang CPF, and the Pythian Oatman CPF; and
    - b. On August 18, 2016, the Commission received a request that a hearing be held to consider approval of an exception to Statewide Rule 32 for the Liberator CPF, Mustang CPF, Pythian Oatman CPF, and the Corsair CPF.
  5. If Carrizo is not granted authority to flare gas at times when the gas cannot be sold and are required to shut-in wells, it may result in lower ultimate recoveries for the wells:
    - a. In the past some Carrizo wells have been shut-in and did not return to original production rates; and
    - b. The exception to Statewide Rule 32 is necessary to avoid shutting wells in and to prevent a reduction in the EUR for wells.
  6. Carrizo's wells in this application are gas wells, and the Commission has previously granted exceptions to Statewide Rule 32 for gas wells completed in the Ford, West (Wolfcamp) Field. In Final Order No. 08-0299257 the Commission granted an exception to Statewide Rule 32 for wells completed in the Ford, West (Wolfcamp) Field that produce a large volume of gas condensate (liquids).

7. Carrizo is requesting to flare a maximum flare volume of 10,000 MCFD to ease administrative burden. If new wells are completed and brought on-line prior to January 23, 2017, Carrizo will not have to request a hearing to increase the permitted flare volume.

**CONCLUSIONS OF LAW**

1. 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) (4) provides for an exception for more than 180 days and for volumes greater than 50 Mcf per day.

**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 to flare a maximum volume of 10,000 MCF per day until January 23, 2017, for the Liberator CPF, Mustang CPF, Pythian Oatman CPF, and the Corsair CPF as requested by Carrizo (Permian) LLC.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Ryan Lammert  
Administrative Law Judge