



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0316360

APPLICATION OF CARRIZO (PERMIAN) LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, VARIOUS WELLS IN THE FORD, WEST (WOLFCAMP) AND PHANTOM (WOLFCAMP) FIELDS, CULBERSON AND REEVES COUNTIES, TEXAS

HEARD BY: Richard Eyster, P. G. – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: January 18, 2019

APPEARANCES:

APPLICANT: Carrizo (Permian) LLC

George C. Neale
Rick Johnston, P.E.
Kimmy Watson

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32) Carrizo (Permian) LLC ("Carrizo") requests an exception to flare casinghead gas ("gas") from thirteen (13) central production facilities ("CPF") in the Ford, West (Wolfcamp) and Phantom (Wolfcamp) Fields in Culberson and Reeves Counties, Texas. Notice was provided to all operators in the Ford, West (Wolfcamp) Field and no protests were received. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission of Texas

("Commission"). Specifically, Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 thousand cubic feet per day ("MCF/D") per oil lease or commingle point may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. Therefore, Carrizo is requesting an exception to flare casinghead gas produced from flare points on an intermittent basis as provided by Statewide Rule 32(h). Carrizo had previously received approval for flaring exceptions for 4 of the 13 central processing facilities included in this application in Docket No. 08-0303613. Carrizo had also previously received administrative flaring exceptions for the remaining 9 CPFs. Carrizo is now applying for flaring exceptions for a total of 13 flare points, which are located in both Culberson and Reeves Counties in the Permian Basin.

A summary of the volumes and start/end date for the 13 flare points which are the subject of this hearing is attached as Appendix A.

The requested maximum daily flare volumes range from 5000 MCF/D to 10,000 MCF/D, and while each of CPFs are connected to pipelines, Carrizo has found that occasional flaring is necessary due to operational upsets, such as the following: high gas pipeline pressure, rejection by the pipeline via slam valves when the market gas does not meet pipeline spec profile, abnormally low or high suction pressure, high liquid scrubber levels, compressor valve issues, improper coolant levels, compressor loss, excessive hydrates, excessive vibration or overspeed by engines or compressors, load control, and electrical control system failure. Carrizo is selling the vast majority of the gas it produces at the subject facilities, and it has taken several steps to mitigate the need to flare the gas. However, it believes the requested exception to flare is necessary due to continued capacity issues, as well as the aforementioned non-routine issues.

The existing flaring authority for the 4 renewed CPFs expired on February 7, 2019. The administrative flaring authority for the 9 administratively-approved flaring exceptions ranged from November 4, 2018, to February 22, 2019. On November 9, 2018, the Commission received a request for hearing from Carrizo to extend its current flaring exceptions. Because the Thurmond A137 ALLOC A 11H CPF had not fully utilized all of its allotted flaring days, Carrizo prepared and submitted a late-filed exhibit showing that the Commission had granted an extension of the flaring exception. The expiration date for the Thurmond A137 Alloc A 11H CPF was extended until January 18, 2019, making the request for hearing timely.

For each CPF, Carrizo requests to extend the current Statewide Rule 32 exception for a period of two years, for the time period and for the maximum daily volumes listed in Appendix A.

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

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the field at least ten days prior to the date of the hearing. There were no protests to the application.
2. On November 6, 2018, the Commission received a request for hearing from Carrizo to extend its current flaring exceptions.
3. The flare points in the subject application are completed in the Ford, West (Wolfcamp) and Phantom (Wolfcamp) Fields, in Culberson and Reeves Counties, Texas
4. Carrizo requests an exception to Statewide Rule 32 for a period of two years for a total of 13 flare points.
5. The subject leases, tank batteries, and central processing facilities are currently connected to a gas gathering system.
6. Carrizo is selling the majority of the gas it produces at the subject facilities, and it has taken steps to mitigate the need to flare the gas. However, the exception to Rule 32 is necessary due to multiple continuing issues.
7. Carrizo agreed that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order in this matter shall be effective on the date a Master Order relating to the Final Order in this matter is signed.


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 volume greater than 50 MCFD.
4. Pursuant to Texas Government Code §2001.144(a)(4)(A), this Final Order is final and effective on the date 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 approval of the requested exception to Statewide Rule 32 for the thirteen (13) flare points for the time durations set forth in Appendix A, and in the attached order, as requested by Carrizo (Permian) LLC.

Respectfully submitted,


Richard Eyster, P.G.
Technical Examiner


Lynn Latombe
Administrative Law Judge

APPENDIX A

Permit #	Lease Drilling Permit Commingle Permit Plant # / RRC ID	Lease Name or Facility/Flare Point Name	Permit Start Date	Permit End Date	Maximum Flare Volume (MCF/Day)	Additional Information/Notes (i.e. Well Nos., Lat/Long, etc.)
25813	280639	Liberator CPF	2/8/19	2/8/21	10,000	1°38'52" N 104°0'44" W
26741	280048 / 280675	Mustang CPF	2/8/19	2/8/21	10,000	1°40'55" N 104°7'17" W
27305	811694DP	Pythian CPF	2/8/19	2/8/21	10,000	1°36'16" N 104°2'10" W
27538	815201DP	Corsair CPF	2/8/19	2/8/21	10,000	1°39'23" N 104°1'48" W
36189	49341	Davis 10	2/2019	2/20/21	5,000	31.49399 -103.56123
36191	831221DP	Lovelace 10	3/16/19	3/16/21	5,000	31.52269 -103.57137
36190	48111	McGary State Unit10	2/24/19	2/24/21	5,000	31.52592 -103.59809
36185	49270	Dorothy 10	12/3/18	12/3/20	5,000	31.49204 -103.50306
36187	50137	Sandhu State 10	1/9/19	1/9/21	5,000	31.41963 -103.69065
36186	50057	SRO 551 100	1/6/19	1/6/21	5,000	31.53914 -103.47627
36184	50083	Thurmond 10	1/19/19	1/19/21	5,000	31.38286 -103.62971
36223	49765 / 49156	Woodson 10 CPF	11/15/18	11/15/20	5,000	31.4929 -103.53128
36188	50098	Fleming 10	2/3/19	2/3/21	5,000	31.42654 -103.66631