

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 08-0321034**

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**APPLICATION OF CARRIZO (PERMIAN) LLC (135317) AND CALLON (PERMIAN) LLC (124807) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE TRINITY STATE 20 FACILITY AND THE TOWNSEN 10 FACILITY, PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS**

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**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 August 29, 2019, 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. Carrizo (Permian) LLC (“Carrizo”) and Callon (Permian) LLC (“Callon”) (both referred to as “Applicants”) jointly seek an exception to Statewide Rule 32 (“Statewide Rule 32”) for authority to flare a maximum monthly volume of gas well gas of 210,000 thousand cubic feet per month (“Mcfm”) and 30,000 Mcfm from respective flare points on the Trinity State 20 Facility and the Townsen 10 Facility in the Phantom (Wolfcamp) Field, in Reeves County, Texas. The flare point volumes and proposed expiration dates are listed in Attachment A.
2. At the hearing, Callon and Carrizo requested to be joint Applicants because Callon had acquired Carrizo. The exact transfer date of custody of these wells was unknown at the hearing, and Statewide Rule 32 does not allow for transfer of an exception.
3. On March 10, 2020, Applicants provided an approved Oil and Gas Division Form P-4 transferring all of Carrizo’s wells in District 08 to Callon, effective February 1, 2020.
4. Flare volumes on the Trinity State 20 and Townsen 10 Facility will only be limited by monthly volumes, forgoing a daily limit.
5. Carrizo submitted a request for hearing on the Statewide Rule 32 flaring exception on June 19, 2019, prior to the expiration of the administrative authority.
6. Carrizo was previously granted an administrative exception to Statewide Rule 32 to flare 7,500 Mcfd for the calendar days of the month of gas well gas from the

flare point on the Trinity State 20 Facility. The administrative exception expiration date is August 24, 2019. Additionally, Carrizo was previously granted an administrative exception to Statewide Rule 32 to flare 5,000 Mcfd for the calendar days of the month of gas well gas from the flare point on the Townsen 10 Facility. The administrative exception expiration date is September 16, 2019.

7. On August 1, 2019, 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 August 29, 2019. 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 August 29, 2019, as noticed. The Applicants appeared and presented evidence. No one appeared in protest. A post hearing conference was held on January 6, 2020.
8. Applicants seek the Statewide Rule 32 flaring exceptions at the Trinity State 20 Facility and Townsen 10 Facility due to unplanned mechanical outages, high gas-line pressures and compressor downtime.
9. The requested Statewide Rule 32 exceptions to flare gas well gas were necessary for Carrizo and are necessary for Callon to produce the recoverable hydrocarbons during periods of temporary system upsets.
10. The monthly limiting volume on the Trinity State 20 Facility was determined by 11.5 days of current production and projected production of three new wells being brought online April 2020. The new wells will experience a rapid decline and are anticipated to be stabilized by November 2020. The term of this exception will end on November 30, 2020.
11. The maximum monthly volume for the Townsen 10 Facility was determined by six (6) days of average daily deliverability of projected production for July 2019 (5,000 Mcfd). It also approximately correlates the ratio of flared gas to produced gas for June 2019 ( $22,645 \text{ Mcfm} / 128,333 \text{ Mcfm} = 17.6\%$  flared gas to produced gas), to the projected gas production of July 2019 ( $30,000 \text{ Mcfm} / 161,382 \text{ Mcfm} = 18.6\%$  flared gas to produced gas). This is consistent with Applicants' projected production and historical flaring.
12. At the hearing, Applicants agreed on the record that the Final Order in this docketed 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. *See, e.g.*, Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. *See, e.g.*, Tex. Nat. Res. Code § 81.051.
3. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law. 16 Tex. Admin. Code § 3.32(b).
4. Statewide Rule 32 provides exceptions allowing the flaring of gas if certain requirements are met and the flaring is necessary. *See, e.g.*, 16 Tex. Admin. Code § 3.32(f), (h).
5. Applicants meets the requirements in Statewide Rule 32 to flare gas well gas for the maximum amount listed in Attachment A, and the flaring of such gas is necessary.
6. Pursuant to the provisions of Texas Government Code § 2001.144(a)(4)(A), this Final Order can be final and effective on the date a Master Order relating to this Final Order is signed.

### Ordering Provisions

It is **ORDERED** that Carrizo and Callon are **GRANTED** a 15-month exception to Statewide Rule 32 for the Trinity State 20 Facility and a two-year exception for the Townsen 10 Facility as follows:

- Carrizo is **GRANTED** an exception for the Trinity State 20 Facility from August 25, 2019 through January 31, 2020;
- Carrizo is **GRANTED** an exception for the Townsen 10 Facility from September 17, 2019 through January 31, 2020;
- Callon is **GRANTED** an exception for the Trinity State 20 Facility from February 1, 2020 through November 30, 2021; and
- Callon is **GRANTED** an exception for the Townsen 10 Facility from February 1, 2020 through September 16, 2021.

The request for authority to flare from the two (2) flare points, for the Trinity State 20 Facility and Townsen 10 Facility for the dates specified, in the Phantom (Wolfcamp) Field, identified in Attachment A, is **APPROVED**.

This authority is granted, provided all production is reported on the appropriate Commission forms. Within 30 days of the effective date of this order, Applicant shall file the Statewide Rule 32 Exception Data Sheet and the required fee for a Statewide Rule 32 exception for each flare point. See 16 Tex. Admin. Code § 3.32(h)(1). This order, and the authority to flare granted herein, is **VOID** if the required fee is not paid by Applicant within 30 days of the effective date of this order.

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and the agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and this Final Order is final and effective on the date the Master Order relating to this 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 – FLARE EXCEPTION AUTHORITY**

<b>Permit No.</b>	<b>Commingle Permit No. (If Applicable)</b>	<b>Lease Name, Individual Flare Stacks</b>	<b>Permit Start Date</b>	<b>Permit End Date</b>	<b>Maximum Flare Volume (Mcf/d)</b>	<b>Maximum Monthly Flare Volume (Mcfm)</b>	<b>Casinghead Gas or Gas Well Gas</b>
39370	NA	Trinity State 20 Facility	8/25/2019	11/30/2020	NA	210,000 Mcfm	Gas Well Gas
39369	NA	Townsen 10 Facility	9/17/2019	9/17/2021	NA	30,000 Mcfm	Gas Well Gas

**Note:**        **Mcf/d = Thousand Cubic Feet Per Day**

**Mcfm = Thousand Cubic Feet Per Month**