

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 08-0322564

APPLICATION OF CARRIZO (PERMIAN) LLC (135317) AND CALLON (PERMIAN) LLC (124807) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FACILITIES, PHANTOM (WOLFCAMP) FIELD, REEVES AND CULBERSON COUNTIES, TEXAS

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 December 10, 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 a two-year exception to 16 Tex. Admin. Code § 3.32 (“Statewide Rule 32”) for authority to flare a maximum daily volume of gas well gas of 1,325 thousand cubic feet per day (“Mcf”), 450 Mcfd, and 3,000 Mcfd from respective flare points on the Fortress State, Marauder State, and Thunderbolt State Facilities (“Facilities”) in the Phantom (Wolfcamp) Field, in Reeves and Culberson Counties, Texas. The recommended 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 recently 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 27, 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. Carrizo submitted a request for hearing on the Statewide Rule 32 flaring exception on August 16, 2019, after the expiration date of the previous exceptions. New exceptions will begin on the date of the request for hearing.
5. The Commission previously granted Carrizo an exception to Statewide Rule 32 under Oil & Gas Docket No. 08-0305890 to flare 10,000 Mcfd of gas well gas for each of the calendar days of the month from each of the three subject facilities. The previous exception by final order expiration date for the Fortress State Facility

is August 6, 2019. The administrative exception expiration date for the Marauder State and Thunderbolt State Facilities is August 9, 2019.

6. On November 22, 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 December 10, 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 December 10, 2019, as noticed. The Applicants appeared and presented evidence. No one appeared in protest.
7. The Facilities are connected to a gas sales line. Applicants seek the Statewide Rule 32 flaring exceptions at the Facilities due to unplanned mechanical outages, high gas-line pressures and compressor downtime, and routine operational upsets, during which gas is flared.
8. The requested Statewide Rule 32 exceptions to flare gas well gas are necessary for Carrizo and for Callon to produce the recoverable hydrocarbons during periods of temporary system upsets.
9. Within a six-month period immediately prior to the hearing from March to August 2019, the following gas production was provided for the Facilities.
 - a) Fortress State Facility: Gas production for a six-month period establishes a monthly average volume of 78,262 thousand cubic feet per month (“Mcfm”), or a daily average production volume of 2,609 Mcfd. The average monthly flaring for the six-month period was 7,978 Mcfm.
 - b) Marauder State Facility: Gas production for a six-month period establishes a monthly average volume of 16,629 Mcfm, or a daily average production volume of 554 Mcfd. The average monthly flaring for the six-month period was 1,281 Mcfm.
 - c) Thunderbolt State Facility: Gas production for a six-month period establishes a monthly average volume of 34,744 Mcfm, or a daily average production volume of 1,158 Mcfd. The average monthly flaring for the six-month period was 5,169 Mcfm. The Mustang 21H and 22H wells were brought online around September of 2019 and have brought recent daily production values over to a peak of over 5,000 Mcfd.
10. The Examiners recommend limiting the monthly flared volumes to five (5) days of average gas well gas production per month. An exception to flare a volume of five days of average daily production is sufficient for Applicants to remain in compliance during periods of system upsets at the Facilities.

11. Occasional routine system upsets and equipment failures with temporary spikes in flaring volumes have occurred within a 12-month period, but the pattern illustrates a decreasing trend in flaring over time with increased efficiency of gas well gas production.
12. The Examiners recommend that the monthly volume (i.e., Mcf/month) for each Facility and associated flare point be limited based on the volumes in Attachment A.
13. At the hearing, Applicants agreed on the record that this Final Order 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 meet 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** two-year exceptions to Statewide Rule 32 for the Fortress State, Marauder State, and Thunderbolt State Facilities:

- Carrizo is **GRANTED** an exception for the Fortress State Facility from August 16, 2019, through January 31, 2020.

- Carrizo is **GRANTED** an exception for the Marauder State Facility from August 16, 2019, through January 31, 2020.
- Carrizo is **GRANTED** an exception for the Thunderbolt State Facility from August 16, 2019, through January 31, 2020.
- Callon is **GRANTED** an exception for the Fortress State Facility from February 1, 2020, through August 6, 2021.
- Callon is **GRANTED** an exception for the Marauder State Facility from February 1, 2020, through August 9, 2021.
- Callon is **GRANTED** an exception for the Thunderbolt State Facility from February 1, 2020, through August 9, 2021.

The request for authority to flare from the three (3) flare points, for the Fortress State, Marauder State, and Thunderbolt State Facilities 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, Applicants 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 Applicants 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 June 16, 2020

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by Hearings Division's Unprotested Master Order dated June 16, 2020)

ATTACHMENT A – FLARE EXCEPTION AUTHORITY

Exception No.	Lease ID	Lease Name, Individual Flare Stacks	Exception Start Date	Exception End Date	Maximum Flare Volume (Mcf) (Mcfm)	Casinghead Gas or Gas Well Gas
30352	281552 284168	Fortress State	8/16/2019	8/6/2021	2,609 Mcfd 13,045 Mcfm	Gas Well Gas
29854	282306	Marauder State	8/16/2019	8/9/2021	554 Mcfd 2,770 Mcfm	Gas Well Gas
29855	282197 286482 287250 287253	Thunderbolt State	8/16/2019	8/9/2021	3,000 Mcfd 15,000 Mcfm	Gas Well Gas

Note: Mcfd = Thousand Cubic Feet Per Day

Mcfm = Thousand Cubic Feet Per Month

Latitude / Longitude:

Fortress State: Lat. 31.69953 / Long. -104.14972

Marauder State: Lat. 31.65858 / Long. -104.14662

Thunderbolt State: Lat. 31.678371 / Long. -104.119976