



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0289248

THE APPLICATION OF CALLON PETROLEUM OPERATING CO. FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.32 FOR THE KENDRA, AMANDA, AND KRISTEN LEASES (FORM P-4 NOS. 39110, 38814, AND 39533), SPRABERRY (TREND AREA) FIELD, MIDLAND COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0289245

THE APPLICATION OF CALLON PETROLEUM OPERATING CO. FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.32 FOR THE PECAN ACRES 22 TANK BATTERY FLARE NO. 1, VARIOUS LEASES, SPRABERRY (TREND AREA) FIELD, MIDLAND COUNTY, TEXAS

OIL AND GAS DOCKET NO. 08-0289246

THE APPLICATION OF CALLON PETROLEUM OPERATING CO. FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.32 FOR THE PECAN ACRES 22 TANK BATTERY FLARE NO. 2, VARIOUS LEASES, SPRABERRY (TREND AREA) FIELD, MIDLAND COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Cecile Hanna - Hearings Examiner

DATE OF HEARINGS: July 16, 2014

APPEARANCES:
APPLICANT:

REPRESENTING:

D. Davin McGinnis
Thomas H. (Buddy) Richter, P.E.
Cynthia Truby

Callon Petroleum Operating Co.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Callon Petroleum Operating Co. (“Callon”) requests exceptions to 16 Texas Administrative Code §3.32 to flare casing-head gas beyond 180 days at three separate flare points, which make-up the subject applications. The subject applications are unopposed and the examiners recommend approval, as requested by Callon.

DISCUSSION OF THE EVIDENCE

Title 16, §3.32 of the Texas Administrative Code (“TAC”) governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Callon requests to flare casing-head gas in the subject applications, pursuant to 16 TAC §3.32(h).

16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than 50 MCFGD may be granted administratively for a period up to 180 days. Furthermore, flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Statewide Rule 32 contains no notice of application requirements. However, notice of the captioned dockets were provided to the list of operators provided by Callon.

The Kendra, Amanda, and Kristen Leases

Callon seeks to flare up to 500 MCFD at a single flare point, located on the Kristen lease, for the Kendra, Amanda, and Kristen leases (“the sister leases”). The June 2014 Oil Proration Schedule indicates that 153, 49, and 16 producing wells are located on each lease, respectively, and produce from the subject field.

Prior to the hearing, the Oil and Gas Division administratively approved Callon’s application to flare casing-head gas from the sister leases in the following sequence (Permit No. 14116):

	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Time Period</u>	<u>Volume</u>
1.	5/20/13	11/17/13	116 days	315 MCFG
2.	3/7/14	6/16/14	15 days	315 MCFG

Counsel on behalf of Callon opines that between 11/18/13 and 3/6/14, flaring from the sister leases was at minimal volumes which were exempt under Statewide Rule 32 (*i.e.* less than 50 MCFG)¹. By letter dated May 16, 2014, Callon requested a hearing to consider the subject applications. Callon

¹ See 07/23/14 letter sent Callon’s counsel to the examiners in response to an inquiry by the examiners at the hearing.

asserts that flaring from the sister leases is occasionally necessary because of periodic pipeline curtailments beyond Callon’s control. The sister leases are connected to a gas pipeline owned by DCP Midstream (“DCP”). At certain times, DCP experiences shut-in issues as a result of various maintenance or operational aspects associated with its gas pipeline. Due to the periodic times of pipeline shut-in, Callon seeks relief to flare casing-head gas produced from its wells on the sister leases completed in the subject field. Otherwise, its production wells will be shut-in.

Callon submitted copies of the sister leases’ monthly production totals reported to the Commission from 01/2013 through 03/2014. During this time, the Kendra lease experienced a flaring peak of 6,268 MCF during August 2013, or 208 MCFD. Callon anticipates drilling additional wells on the sister leases in the subject field in the future. Callon request authority to flare up to 500 MCFD from May 16, 2014 through December 31, 2015 from the sister leases, collectively.

The Pecan Acres 22 Tank Battery (“PA 22”) Flare Nos. 1 and 2

Callon seeks to flare up to 350 MCFD at the PA 22 flare no. 1, and 350 MCFD from the PA 22 flare no. 2. The PA 22 serves production from the following leases: (1) Pecan Acres 22; (2) Pecan Acres 22A; (3) Pecan Acres 22-C; (4) Pecan Acres 23, and (5) Pecan Acres 23A. The Pecan Acres 22 Lease provides for surface commingling and/or off-lease storage facilities for the five mentioned pecan acres leases’ production (Surface Commingling Permit Nos. 6496 and 6600). The June 2014 Oil Proration Schedule indicates that 106, 1, 55, 118, and 1 producing wells are located on each of the five pecan acres leases, respectively, and produce from the subject field.

Prior to the hearing, the Oil and Gas Division administratively approved Callon’s application to flare casing-head gas from flare nos. 1 and 2 at the PA 22 in the following sequence:

Flare No. 1 (Permit No. 14266)

	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Time Period</u>	<u>Volume</u>
1.	10/14/13	3/4/14	12 days	350 MCFG
2.	3/5/14	6/16/14	20 days	350 MCFG

Flare No. 2 (Permit No. 14265)

1.	10/14/13	3/4/14	12 days	350 MCFG
2.	3/5/14	6/16/14	20 days	350 MCFG

Although flare nos. 1 and 2 were permitted to flare at volumes of 350 MCFD individually for a collective period of nearly five months, each flare stack was used only 32 days during its permitted time frame. On May 16, 2014, Callon requested a hearing on the subject applications. Callon asserts that the PA 22 tank battery was constructed such that casing-head gas could be routed to either flare

no. 1 or flare no. 2 during times of need. In other words, having two permitted flare stacks at the same location provides Callon added flexibility towards aversion of shutting in its existing 281 wells in the subject field on the five pecan acres leases. For similar reasons described in the sister leases above, Callon seeks authority to flare from the PA 22 tank battery flare nos. 1 and 2 in the event the existing DCP pipeline is required to be shut-in. Callon requests to flare up to 350 MCFD for each of the PA22 tank battery flare stacks from May 16, 2014 through December 31, 2015.

FINDINGS OF FACT

1. Callon Petroleum Operating Co. ("Callon") seeks exceptions to flare casing-head gas in volumes exceeding fifty thousand cubic feet per day ("MCFGPD") from the Kendra, Amanda, and Kristen leases ("the sister leases") and the Pecan Acres 22 Tank Battery Flare Nos. 1 and 2 in the Spraberry (Trend Area) Field, Midland County, Texas ("the subject application").
 - a. The sister leases' production is served by the tank battery located at the Kristen lease, where Callon seeks to flare up to 500,000 cubic feet of casing-head gas per day (500 MCFD) at a single flare point pursuant to 16 Tex. Admin. Code §3.32(h).
 - b. The Pecan Acres 22 tank battery ("the PA 22") serves production for five leases:(1) Pecan Acres 22; (2) Pecan Acres 22A; (3) Pecan Acres 22-C; (4) Pecan Acres 23, and (5) Pecan Acres 23A ("the pecan acres leases"). Callon seeks to authorize two flare points (flare nos. 1 and 2) to flare up to 350 MCFD each at the PA 22, pursuant to 16 Tex. Admin. Code §3.32(h). The PA 22 Lease provides for surface commingling and/or off-lease storage facilities for the pecan acres leases' production (Surface Commingling Permit Nos. 6496 and 6600).
2. Callon obtained administrative authority from the Oil and Gas Division to flare up to 315 MCFD of casing-head gas at the Kristen Lease from May 20, 2013 through November 17, 2013, and March 7, 2014 through June 16, 2014. Said production originated from producing wells in the subject field on the sister leases.
3. Callon obtained administrative authority from the Oil and Gas Division to flare up to 350 MCFD of casing-head gas at the PA 22 for flare nos. 1 and 2 from October 14, 2013 through March 4, 2014, and March 5, 2014 through June 16, 2014. Said production originated from producing wells in the subject field on the pecan acres leases.
4. Callon requested a hearing on the subject application by letter dated May 16, 2014.

5. Callon claims the necessity for approval of the subject application is due to third-party take-away issues that impact its operations.

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. The requested authority to flare 500 MCFD of casing-head gas, which originates from the sister leases, at the Kristen lease, and to flare 350 MCFD of casing-head gas, which originates from the pecan acres leases, at the Pecan Acres 22 tank battery flare nos. 1 and 2 each in the Spraberry (Trend Area) Field, Midland County, Texas satisfies the requirements of Title 16, Texas Administrative Code §3.32.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant exceptions to Callon Petroleum Operating Co.'s request to flare casing-head gas as requested in the subject application from May 16, 2014 through December 31, 2015.

Respectfully submitted,



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Technical Examiner



Cecile Hanna
Legal Examiner