



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0290790**

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**THE APPLICATION OF CALLON PETROLEUM OPERATING CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS WELLS, KENDRA-ANNIE AND KENDRA-KRISTEN LEASES, SPRABERRY (TREND AREA) FIELD, MIDLAND COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 08-0290791**

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**HEARD BY:** Karl Caldwell - Technical Examiner  
Terry Johnson - Hearings Examiner

**ER & R PREPARED BY:** Richard Eyster, P.G. - Technical Examiner

**HEARING DATE:** November 4, 2014

**CONFERENCE DATE:** February 24, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Davin McGinnis  
Thomas Richter, P.E.  
Cynthia A. Tribby

Callon Petroleum

**EXAMINERS' REPORT AND RECOMMENDATION****STATEMENT OF THE CASE**

Callon Petroleum Operating Company, (Callon) is requesting an exception to Statewide Rule 32 to flare gas for one year from flare point Flare No.1, (FP1), (Permit No. 16235) and Flare Point 2 (FP2), (Permit No. 17950) at its Carpe Diem Tank Battery (CDTB) on the Kendra - Annie & Kendra - Kristen Leases, Spraberry (Trend Area) Field, Midland County. All persons entitled to notice received notice of the hearing. There were no objections filed and no protestants appeared at the hearing. The examiners recommend approval of the exception to Statewide Rule 32 to flare gas at a rate 2,000 mcf/d from FP1 and FP2 at the Carpe Diem Tank Battery for a period of one year 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. 16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than fifty Mcfd may be granted administratively for a period up to 180 days. Flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Callon requests to flare casinghead gas for one year at a rate of 2,000 mcf/d from FP1 and FP2 on the CDTB as provided by 16 TAC §3.32(h). The CDTB is located on the Kendra, Kristen and Annie Leases.

The CDTB will service Production Sharing Agreement (PSA) wells which extend across lease lines of the Kendra, Kristen, and Annie leases. The wells are identified as Kendra- Annie (KA) and Kendra- Kristen (KK). There are four current producing wells, KA #1481, KA # 1482H, KK #1121H, KK #1122H. There are three wells currently in drilling or completion stages, KA # 1484H, KA #1483H, and KA #15SH. Wells filed on W-1s: KA #1485H, KA # 1486H, KA # 1487H. Each well surface location has a 3- phase separator where the gas, oil and water are metered. The well streams are recombined and flow individually to the CDTB Facility. The combined well streams flow into bulk 3- phase separators. The gas is metered and sent to pipeline sales or flared. There are two flare stacks located at the CDTB each rated at 2,000 mcf/d. FP1 is the primary and FP2 is a standby.

There are two casinghead gas gatherers in the area, DCP Midstream and Coronado Midstream. In May 2013, DCP Midstream advised Callon that due to capacity capability, compression and plant issues, that casinghead gas "takes" may be curtailed across its system. Callon installed a 1.5 mile temporary on surface pipeline to Coronado Midstream which is also having capacity and plant issues. Both companies are making improvements but curtailment is persistent and ongoing, necessitating the need to flare gas. Callon is requesting to flare 2000 mcf/d casinghead gas from FP1 and FP2 at Callon's CDTB for a period of one year, starting 08/09/2014 to 08/09/2015 for FP1 and from 10/13/2014 to 10/13/2015 for FP2.

16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than fifty Mcfd may be granted administratively for a period up to 180 days. Flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission.

The Oil and Gas Division administratively approved Callon's application to flare casing-head gas from the Carpe Diem Tank FP1 (Permit No.16235) and FP2 Permit No. 17950.

Permit No.16235 (FP1)

<u>Effective Date</u>	<u>Expiration Date</u>	<u>Time Period</u>	<u>Volume</u>
03/10/2014	05/09/2014	60 days	2,000 MCFD
05/10/2014	08/08/2014	90 days	2,000 MCFD

Permit No. 17950 (FP2)

<u>Effective Date</u>	<u>Expiration Date</u>	<u>Time Period</u>	<u>Volume</u>
07/15/2014	10/13/2014	90 days	2,000 MCFD

Callon is now requesting to flare 2000 mcfd casinghead gas from FP1 and FP2 at Callon's CDTB for a period of one year, starting 08/09/2014 to 08/09/2015 for FP1, and from 10/13/2014 to 10/13/2015 for FP2.

**FINDINGS OF FACT**

1. Proper notice of this hearing was given to all parties entitled to notice.
2. 16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than fifty mcfd may be granted administratively for a period up to 180 days. Flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission.
3. Callon requested a hearing for exceptions to Statewide Rule 32 on July 18, 2014 to extend flaring of 2,000 mcfd for a period of one year, from 08/09/2014 to 08/09/2015 for FP1, and from 10/13/2014 to 10/13/2015 for FP2.
4. Callon is developing its Kendra - Annie & Kendra - Kristen Leases, Spraberry (Trend Area) Field, Midland County.

5. The CDTB will service PSA wells which extend across lease lines of the Kendra, Kristen, and Annie leases. There are currently four producing wells: KA #1481, KA # 1482H, KK #1121H, KK #1122H. There are three in drilling or completion stages, KA # 1484H, KA #1483H, and KA #15SH. Wells filed on W-1s awaiting approval: KA #1485H, KA # 1486H, KA # 1487H.
6. The existing gas gathering infrastructure in this portion of the Spraberry (Trend Area) Field does not have the capacity to accept all the casinghead gas produced in the field.
7. The requested flaring authority will allow Callon to continue to produce oil from its wells on the lease when the gas cannot be sold.

**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 exception to flare 2,000 mcf/d from the Carpe Diem Tank Battery Flare Point No. 1 and Flare Point 2 on the Kendra - Annie & Kendra - Kristen Leases, Spraberry (Trend Area) Field, Midland County, Texas, satisfies the requirements of Title 16, Texas Administrative Code §3.32.

**EXAMINERS' RECOMMENDATION**

It is recommended that the Commission grant an exception flare casing-head gas from Flare Point No.1 and Flare Point 2 at the Carpe Diem Tank on the Kendra - Annie & Kendra - Kristen Leases, Spraberry (Trend Area) Field, Midland County, Texas.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Terry Johnson  
Legal Examiner