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DANA AVANT LEWIS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0327276

APPLICATION OF CALLON (EAGLE FORD) LLC (124805) FOR PERMANENT GAS WELL CLASSIFICATION FOR VARIOUS LEASES AND WELLS, EAGLEVILLE (EAGLE FORD-1) FIELD, DIMMIT, LA SALLE, AND MCMULLEN COUNTIES, TEXAS

HEARD BY: Ashley Correll, P.G. – Technical Examiner
Charles Zhang – Administrative Law Judge

REVIEWED BY: Kristi M. Reeve – Administrative Law Judge

HEARING DATE: October 5, 2020

CONFERENCE DATE: April 13, 2021

APPEARANCES: **REPRESENTING:**

APPLICANT:
James M. Clark, Engineer Callon (Eagle Ford) LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of Callon (Eagle Ford) LLC ("Callon") to reclassify various wells on various leases in the Eagleville (Eagle Ford-1) Field ("Field"), Dimmit, La Salle, and McMullen Counties, Texas from oil wells to gas wells. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

Rule 8 of the amended field rules for the Field, established by the Final Order in Oil and Gas Docket No. 01-0297472, signed February 28, 2017, states that for any well in the Field completed with the gas to oil ratio ("GOR") of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well, provided the GOR was determined by stabilized well test. The Hearings Division sent notice of the application to the operators in the Field on September 21, 2020. The Hearings Division sent a subsequent letter to provide notice to an additional operator. No protests were received.

DISCUSSION OF THE EVIDENCE

A hearing was held on October 5, 2020. At the hearing, Callon submitted oil, gas, and GOR information for the first 180 days each well produced. The initial application included 48 wells, but Callon withdrew its request for 15 wells at the hearing. Following the hearing, Callon withdrew an additional 14 wells.

The Discussion of the Evidence in the Examiners' Report and Recommendation for Oil and Gas Docket Nos. 01-0297472 and 02-0397714 discusses a Railroad Commission Memorandum dated August 3, 2006 ("Memo"). The Memo states:

Current Commission practice is to administratively classify a well when analysis demonstrates the proportion of heptanes and heavier hydrocarbon molecules (i.e., "heptanes plus" or "C₇₊") is less than 11 mole percent of the recombined wellstream composition.

This is supported by research published by Phillip L. Moses in the *Journal of Petroleum Technology* July 1986 *Engineering Applications of Phase Behavior of Crude Oil and Condensate Systems* and William D. McCain, Jr. in the *Properties of Petroleum Fluids Second Edition* © 1990. Although not part of the Memo, research from Dr. Philip Moses (from 1986) indicates that heptanes plus of 12.5 percent and greater are in liquid phase and less than 12.5 percent are almost always in the gas phase. Dr. William McCain concludes if the reservoir fluid contains 12.9 mol percent or greater heptanes plus, the fluid is oil, and if it is less than 12.9 mol percent, the fluid is gas. Based on initial completion data from a well, permanent gas well classification has been granted for wells using the Memo criteria with supporting documentation as outlined by Dr. McCain's and Dr. Moses's research.

The Final Order for Oil and Gas Docket No. 01-0297472, dated February 28, 2017, amended Field Rules for the Field. Rule 8 of the Field Rules states that for any well in the Field completed with a GOR of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well without the need for further administrative review, provided that the GOR was determined by a stabilized well test conducted within 180 days of well completion.

On March 19, 2021, the Hearings Division sent a letter to Callon stating that the record does not support the permanent reclassification of 14 oil wells to gas wells. On March 25, 2021, the Hearings Division received correspondence from Callon withdrawing the 14 wells.

Based on the field rules adopted in the Final Order for Oil and Gas Docket No. 01-0297472, the Examiners assessed the well production data presented at the hearing. Upon review of the data presented at the hearing the Examiners conclude the 19 wells listed in Attachment A of this report meet the criteria for gas well classification. The data demonstrated that the wells achieved a GOR of 3,000 cubic feet per barrel and above within the first 180 days of production.

At the hearing, Callon agreed on the record that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order will be final and effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. Callon requests permanent reclassification of various oil wells on various leases in the Eagleville (Eagle Ford-1) Field, Dimmit, La Salle, and McMullen Counties, Texas, as gas wells.
2. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. No protests were received.
3. The hearing was held on October 5, 2020.
4. At the hearing, Callon withdrew 15 of the originally requested 48 applications to reclassify oil wells to gas wells.
5. On March 19, 2021, the Hearings Division sent a letter to Callon concluding that the record does not support 14 of the 33 applications to reclassify oil wells to gas.
6. On March 25, 2021, the Hearings Division receiving a letter from Callon withdrawing the following nine wells from the application:

a.	Bridwell Limited Unit	Well No. 5H;
b.	Cenizo Ranch	Well No. B 3H;
c.	Arnold A Unit	Well No. 10H;
d.	Arnold A Unit	Well No. 11H;
e.	Liberatore B Unit	Well No. B 1H;
f.	Liberatore B Unit	Well No. B 2H;
g.	Liberatore A Unit	Well No. A 1H;
h.	JASIK	Well No. 40H;
i.	Irvin West	Well No. 16H;
j.	Irvin West	Well No. 18H;
k.	ERCP Minerals	Well No. 10H;
l.	ERCP Minerals	Well No. 11H;
m.	ERCP Minerals	Well No. 12H; and
n.	ERCP Minerals	Well No. 14H.
7. The gas well classification criteria was established in the Commission's memorandum ("2006 Commission Memo"), dated August 3, 2006, titled "Change in administrative determination policy for gas well classification."
8. The Final Order in Oil and Gas Docket No. 01-0297472 dated February 28, 2017, amended Field Rules for the Eagleville (Eagle Ford-1) Field, which includes Rule 8 that states, "for any well in the Eagleville (Eagle Ford-1) Field completed with a gas-oil ratio (GOR) of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well without the need for further

administrative review effective the date of initial completion, provided that the GOR was determined by stabilized well test conducted within 180 days of well completion in accordance with the GOR determination requirements of Commission procedures as indicated on Forms G-1, G-5, or W-2 as appropriate.”

9. Upon review of the evidence submitted for inclusion in the record, the 19 wells listed in Attachment A of this report meet the criteria for gas well classification based on the field rules adopted in the Final Order for Oil and Gas Docket No. 01-0297472.
10. Callon agreed in writing or on the record that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order will be final and effective on the date a Master Order relating to the Final Order is signed.

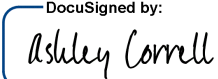
CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code §81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §1.42.
3. Pursuant to §2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant on the record or in writing, this Final Order is effective when a Master Order relating to the Final Order is signed by the Commissioners.

EXAMINERS' RECOMMENDATION

Based on the above findings of facts and conclusions of law, the Examiners recommend permanent reclassification of wells listed in Attachment A of this report, in the Eagleville (Eagle Ford-1) Field, Dimmit, La Salle, and McMullen Counties, Texas, to gas wells, as requested by Callon (Eagle Ford) LLC.

Respectfully submitted,

DocuSigned by:

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Ashley Correll, P.G.
Technical Examiner

DocuSigned by:

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Kristi M. Reeve
Administrative Law Judge

Attachment A

Lease Name	Lease No. (Dist. 01)	Well No.
Bridwell Limited Unit	15457	3H
Bridwell Limited Unit	15457	4H
Talbutt Trust	15514	A 1H
Talbutt Trust	15514	A 2H
Cenizo Ranch	15636	B 4H
Rathjen B Unit	15788	A 1H
Rathjen A Unit	15801	A 1H
Rathjen A Unit	15801	B 4H
JLH LIC D Unit	16254	12H
JLH LIC D Unit	16254	D 5H
Smith A Unit	16388	A 1H
Smith B Unit	16389	B 1H
Smith B Unit	16389	B 3H
Liberatore Ranch B Unit	16403	B 3H
Liberatore Ranch A Unit	16552	C 1H
Liberatore Ranch A Unit	16552	C 2H
Barger Ranch A Unit	16648	A 1H
Talbutt Trust C	17991	6H
Burns Ranch	18854	65H