



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0288129

THE APPLICATION OF BLACKBRUSH OIL & GAS, LLC (OPERATOR NO. 073059) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CHITTIM HEIRS LEASE, WELL NOS. F1H AND F2H, BRISCOE RANCH (EAGLE FORD) FIELD, ZAVALA COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. - Technical Hearings Examiner
Terry Johnson - Hearings Examiner

DATE OF HEARING: May 28, 2014

APPEARANCES:

REPRESENTING:

APPLICANT:

Paul Tough
John McBeath, P.E.

BlackBrush O&G, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

BlackBrush O&G, LLC ("BlackBrush") requests an exception to 16 Texas Administrative Code §3.32 to flare casing-head gas from its Chittim Heirs Lease, Well Nos. F1H(API No. 42-507-32767) and 2H (API No. 42-507-33049) at a rate of 200 thousand cubic feet of gas per day ("MCFGD") per well from March 29, 2014 through March 28, 2016.

At the hearing, the examiners requested that Blackbrush submit a late-filed exhibit to clarify the status of the nearest available pipeline to the subject well. On June 11, 2014, Blackbrush submitted its response which included late-filed exhibit number ten.

On July 15, 2014, the examiners issued a letter to Blackbrush requesting further clarification of its subject application with regard to its request to limit notice to operators only within the subject wells' two mile radii. On July 25, 2014, Blackbrush submitted its response to the examiners' July 15th letter.

On August 6, 2014, the examiners issued a letter to Blackbrush informing it that its late-filed exhibit ten was received, and that the examiners will treat Blackbrush's July 25th response as its stipulation that the nearest available pipeline is inactive. Blackbrush did not object to the August 6th letter.

On August 28, 2014, the examiners issued an additional letter to Blackbrush seeking further clarification with regard to its request to limit notice of the subject application to operators within the two-mile radii of the subject wells. The examiners informed Blackbrush that its request to limit notice is a case of first impression. On September 8, 2014, Blackbrush submitted its response to the examiners August 28th letter, which included a list of all offset adjacent operators to the subject wells' lease.

On September 11, 2014, the examiners issued a ten day supplemental notice to the list of operators provided by Blackbrush in its September 8th correspondence. No protest was received by the examiners. The examiners recommend approval of the application, as requested by Blackbrush.

DISCUSSION OF THE EVIDENCE

In the captioned docket, Blackbrush requests to flare up to 200 thousand cubic feet of natural gas per day (200 MCFPD) from each of the subject wells for a period of two years.

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. Specifically, 16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than fifty thousand cubic feet of natural gas per day 50 MCFPD 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 for hearings such as the immediate case. However, Commission practice has been to provide all operators of record (typically those on the Commission's most recent proration schedule), which offset the applied for well's tract and are in the same field as the applied for well, a Notice of Hearing for an exception to flare gas.

The Chittim F1H (API No. 42-507-32767) was completed in the Briscoe Ranch (Eagle Ford) Field on April 3, 2011. On April 24, 2011, the F1H well was tested for twenty-four hour potential, and the test data results included: 48 barrels of oil per day (BOPD), 0 MCFPD, 606 barrels of water per day (BWPD), and 0 gas to oil ratio (GOR)¹.

The Chittim 2H (API No. 42-507-32767) was completed in the Briscoe Ranch (Eagle Ford) Field on November 15, 2013. On December 10, 2013, the 2H well was tested for twenty-four hour

¹ Exh. No. 3.

potential, and the test data results included: 481 BOPD, 54 MCFPD, 0 BWPD, and 112 GOR.

The Oil and Gas Division administratively approved Blackbrush's application to flare casing-head gas from the subject wells (Permit No. 14777) in the following sequence:

	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Time Period</u>	<u>Volume</u>
1.	9/27/13	12/26/13	90 days	110 MCFPD
2.	12/27/13	02/25/14	60 days	110 MCFPD
3.	02/26/14	03/28/14	30 days	110 MCFPD

On March 27, 2014, Blackbrush submitted written request to schedule the subject hearing, which occurred on May 28, 2014. At the hearing, Blackbrush requested authority to flare up to 200 MCFPD from each of the wells for a period of two years. Blackbrush alleges that the necessity to flare gas from the subject wells is due to the unavailability of a gas pipeline. In addition, Blackbrush submitted a copies of three previous oil and gas dockets that granted flaring authority for up two years².

Blackbrush indicated that the nearest pipeline to the subject wells is located about one mile to the east of the 2H well; however, it is unavailable for service because the line is inactive³. Blackbrush indicated that the closest available pipeline is roughly 5.7 miles south of the F1H well. The F1H roughly 4,000 feet west-southwest of the 2H well⁴.

In support of its application, Blackbrush submitted an economic analysis comprised of several assumptive economic inputs where Blackbrush concludes that connecting the subject wells to either of the two gas pipelines mentioned in exhibit number five results in a loss of about \$4.1 million dollars throughout the life expectancy of the subject wells. As a result, Blackbrush requests to flare natural gas up to 200 MCFPD from each of the subject wells from March 29, 2014 through March 28, 2016⁵. Blackbrush believes that if the requested relief is not granted, then it will have to shut-in the subject wells which may result in harm to the wells.

FINDINGS OF FACT

1. BlackBrush O&G, LLC ("BlackBrush") requests an exception to 16 Texas Administrative Code §3.32 to flare casing-head gas from its Chittim Heirs Lease, Well Nos. F1H (API No. 42-507-32767) and 2H (API No. 42-507-33049) at a rate

² Exh. No. 9.

³ See Examiner's letter dated August 6, 2014 to Blackbrush.

⁴ Exh. No. 5.

⁵ Compare Exh. No. 6 with tape recording at 12:40.

of 200 thousand cubic feet of gas per day (“MCFGD”) per well from March 29, 2014 through March 28, 2016.

2. Blackbrush obtained administrative authority from the Oil and Gas Division to flare up to 110 MCFGPD of casing-head gas per day from each of the subject wells derived from the subject field from September 27, 2013, through March 28, 2014.
3. Blackbrush’s 180-day administrative authority to flare casing-head gas from subject wells in the subject field expired on March 28, 2014.
4. Blackbrush requested a hearing to consider flaring casing-head gas derived from the subject field through the subject wells on March 27, 2014.
5. Connecting the subject wells to the nearest pipelines shown by Blackbrush in its hearing exhibit number five is uneconomical based on the cost to build a connecting pipeline from the wells compared with the value of the casing-head gas as current relative economic values.

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 up to 200 thousand cubic feet per day of casing-head gas derived from the Briscoe Ranch (Eagle Ford) Field at the Chittim Heirs Lease, Well Nos. F1H (API No. 42-507-32767) and 2H (API No. 42-507-33049) 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 an exception to flare casing-head gas from the Chittim Heirs Lease, Well Nos. F1H (API No. 42-507-32767) and 2H (API No. 42-507-33049) at a rate of up to 200 thousand cubic feet of gas per day from March 29, 2014 through March 28, 2016.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Terry Johnson
Legal Examiner