



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0303310

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**THE APPLICATION OF BLACKBRUSH O & G, LLC TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CHITTIM HEIRS (16989) LEASE, WELL NOS. F1H, 2H, 10H, 11H, AND 12H, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS**

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**HEARD BY:** Karl Caldwell – Technical Examiner  
Clayton Hoover – Administrative Law Judge

**HEARING DATE:** April 27, 2017  
**REPORT PREPARED:** June 21, 2017  
**CONFERENCE DATE:** August 1, 2017

**APPEARANCES:**

Paul Tough  
Robert Salmon  
Jason Walshak

**REPRESENTING:**

Blackbrush O & G, LLC

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Blackbrush O & G, LLC (Blackbrush) has a current exception to Statewide Rule 32 for the Chittim Heirs (16989) Lease, Well Nos. F1H, 2H, 10H (Final Order, Oil and Gas Docket No. 01-0299893). Blackbrush is requesting to add the Chittim Heirs Lease, Well Nos. 11H and 12H to this Statewide Rule 32 exception. Blackbrush is not asking for an extension of time on the March 29, 2018 expiration date for the current exception to Statewide Rule 32. Blackbrush is requesting an increase in the maximum daily combined flare rate from the current rate of 600 Mcf per day to 1,200 Mcf per day to account for the two additional wells completed on the subject lease. Notice of the application was provided to offset operators and no protests were received. The application is unopposed and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

### DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 Mcfd may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission. Blackbrush received flaring authority to flare a maximum combined rate of 600 Mcfd of casinghead gas for the Chittim Heirs (16989) Lease, Well Nos. F1H, 2H, 10H, effective March 29, 2016 through March 29, 2018 in Final Order No. 01-0299893.

A request for hearing was received by the Commission on January 19, 2017 to add the Chittim Heirs 11H and 12H to the existing Statewide 32 exception for the Chittim Heirs Lease Well Nos. F1H, 10H, and 2H. Blackbrush is not asking for an extension of time on the March 29, 2018 expiration date for the current Statewide Rule 32 exception, only an increase in the maximum daily combined flare rate from the current 600 Mcf per day to 1,200 Mcf per day to account for the two additional wells. Blackbrush also requests that the increase in maximum flare rate be effective the date the hearing request was received, at a minimum. The two additional wells will be connected to a pipeline Blackbrush is constructing. Blackbrush expects the pipeline to be completed in late-July or early August 2017. The requested increase in maximum combined flare rate for the Statewide Rule 32 exception is needed to accommodate flaring for Well Nos. 11H and 12H until they can be connected to the pipeline. There are a total of three flare points for the five subject wells: a flare point for the Chittim Heirs Lease, Well Nos. F1H and 10H, a flare point for the Chittim Heirs Lease, Well No. 2H, and a flare point for the Chittim Heirs Lease, Well No. 11H and 12H.

Construction has commenced to connect the Chittim Heirs Lease, Well Nos. 11H and 12H to the Howard system. An additional 2.31 miles of pipeline would be required to connect the Chittim Heirs Lease, Well Nos. F1H, 2H and 10H to the pipeline system. The estimated cost to install approximately 2.31 miles of 6" pipeline to connect the F1H, 10H and 2H wells to a single point on the southeast corner of the Chittim acreage is \$1,009,070. At this time, it is uneconomic to install an additional 2.31 miles of pipeline to connect the Chittim Heirs Lease, Well Nos. F1H, 2H and 10H to the pipeline system. The cost for the additional 2.31 miles of pipeline exceeds the estimated net revenue of the remaining casinghead gas production from these three wells.

### FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. Blackbrush O & G, LLC (Blackbrush) has a current exception to Statewide Rule 32 for the Chittim Heirs (16989) Lease, Well Nos. F1H, 2H, 10H (Final Order, Oil and Gas Docket No. 01-0299893).

3. A request for hearing was received by the Commission on January 19, 2017 to add Chittim Heirs Lease, Well Nos. 11H and 12H to the Statewide Rule 32 exception granted in Final Order No. 01-0299893.
4. Blackbrush is not asking for an extension of time on the March 29, 2018 expiration date for the current exception to Statewide Rule 32 Final Order.
5. Blackbrush is requesting an increase in the maximum daily combined flare rate from the current rate of 600 Mcf per day to 1,200 Mcf per day to account for the two additional wells completed on the Chittim Heirs Lease.
  - a. The two additional wells will be connected to a pipeline Blackbrush is constructing.
  - b. Construction has commenced to connect the Chittim Heirs Lease, Well Nos. 11H and 12H to the Howard system.
  - c. Blackbrush expects the pipeline to be completed in late-July or early August 2017.
  - d. The requested increase in maximum combined flare rate for the Statewide Rule 32 exception is needed to accommodate flaring for Well Nos. 11H and 12H until they can be connected to the pipeline.
6. An additional 2.31 miles of pipeline would be required to connect the Chittim Heirs Lease, Well Nos. F1H, 2H and 10H to the pipeline system.
  - a. The estimated cost to install approximately 2.31 miles of 6" pipeline to connect the F1H, 10H and 2H wells to a single point on the southeast corner of the Chittim acreage is \$1,009,070.
  - b. It is uneconomic to install an additional 2.31 miles of pipeline to connect the Chittim Heirs Lease, Well Nos. F1H, 2H and 10H to the pipeline system. The cost for the additional 2.31 miles of pipeline exceeds the estimated net revenue of the remaining casinghead gas production from these three wells.

#### 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. Title 16, Texas Administrative Code 3.32(h) provides for an exception to Statewide Rule 32.

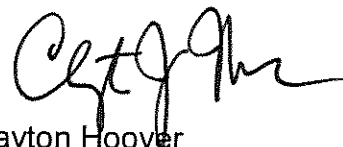
**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 for the Chittim Heirs (16989) Lease, Well Nos. F1H, 2H, 10H, 11H and 12H, to flare a maximum combined rate of 1,200 Mcfd of casinghead gas effective January 19, 2017 through March 29, 2018.

Respectfully submitted,



Karl Caldwell  
Technical Examiner



Clayton Hoover  
Administrative Law Judge