



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0311863

THE APPLICATION OF BLACKBRUSH OIL & GAS, LLC (073059) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS FLARE POINTS ON THE CHITTIM HEIRS (16989) LEASE, BRISCOE RANCH (EAGLEFORD) FIELD, ZAVALA COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: August 14, 2018
CONFERENCE DATE: September 18, 2018

APPEARANCES: **REPRESENTING:**

APPLICANT: Blackbrush Oil & Gas, LLC

Robert Salmon
Jasen Walshak

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Blackbrush Oil & Gas, LLC ("Blackbrush") requests a Statewide Rule 32 exception renewals for the Chittim Heirs Lease, Wells 2H, 10H, F1H, 11H, 12H, 16H, and 17H, Briscoe Ranch (Eagle Ford) Field, Zavala County, Texas. Notice of the application was provided to all offset operators in the field and no protests were received. Additional notice has been sent to include Well No. 2H to the original application. The application is unopposed. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of Statewide Rule 32 exception renewals for various wells as requested by Blackbrush.

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(j) *Opportunity for hearing* states that an operator may request a hearing on any application for an exception, or exception renewal required by this section.

Blackbrush requested an exception to Statewide Rule 32 for its flare point located on the Chittim Heirs Lease, Well Nos. 2H, 10H, F1H, 11H, 12H, 16H, and 17H. Blackbrush requested permission to flare a maximum of 700 thousand cubic feet ("MCF") of casinghead gas per day for up to 2 years from May 31, 2018 to May 31, 2020.

Blackbrush filed this hearing request on May 31, 2018. The prior administrative flaring exception, Oil and Gas Docket No. 01-0303310, authorized flaring for Well Nos. F1H, 2H, 10H, 11H, and 12H from January 19, 2017 through March 29, 2018 to a maximum of 1,200 MCF per day. In the May 31, 2018 hearing request the operator requested Well Nos. 16H and 17H to be added to the new flaring exception permit.

Blackbrush evaluated pipeline economics for wells 2H, 10H, and F1H. The nearest pipeline is approximately 1.33 miles from well 2H and 2.31 miles from wells F1H and 10H. With the estimated cost of the pipeline connection of \$1,009,070, the net present value of produced gas is \$-828,800 making it uneconomical to produce and transport this gas to market. Wells 11H, 12H, 16H, and 17H are connected to a pipeline and require flaring only during periods of routine maintenance, equipment malfunction, upset events, and during sales line unavailability.

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

FINDINGS OF FACT

1. Notice of this hearing was given to offset operators in the subject field at least ten days prior to the date of hearing. There were no protests to the application.
2. Notice of an additional well not previously included in the Appendix A of the Notice for Well No. 2H has been sent on August 14, 2018. No protests were received.
3. On May 31, 2018, the Commission received a hearing request from Blackbrush for an exception to Statewide Rule 32 for various wells, an extension of authority previously granted for some and adding additional wells.
4. Blackbrush requested an exception to Statewide Rule 32 for a period of two years, from May 31, 2018 to May 31, 2020.

5. Blackbrush was granted an exception to statewide Rule 32 for Wells F1H, 2H, 10H, 11H, and 12H in Final Order for Oil and Gas Docket No. 01-0303310 with an expiration date of March 29, 2018.
6. Blackbrush is requesting to add Well Nos. H16 and H17 to the Statewide Rule 32 exception.
7. Blackbrush evaluated pipeline economics and established that it is not economical to produce and transport gas from wells 2H, 10H, and F1H to the market, because the present value of the produced gas is \$ -856,740.
8. Well Nos. 11H, 12H, 16H, and 17H are connected to a pipeline and flaring is required only during periods of routine maintenance, equipment malfunction, upset events and during sales line unavailability.
9. Authority to flare will allow Blackbrush to continue to produce the wells.
10. Blackbrush agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. 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 Section 3.32(h)(4) provides for an exception for more than 180 days and for volumes greater than 50 Mcf per day.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the consent of the applicant, the Final Order can be final and effective when a Master Order relating to this Final Order is signed.

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 to flare a maximum of 700 MCF per day from May 31, 2018 to May 31, 2020 for the Chittim Heirs Lease, Well Nos. 2H, 10H, F1H, 11H, 12H, 16H, and 17H, in the Briscoe Ranch (Eagle Ford) Field, Zavala County, Texas as requested by Blackbrush Oil & Gas, LLC.

Respectfully submitted,



Petar Buva
Technical Examiner



Kristi M. Reeve
Administrative Law Judge