



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0299893

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, F2H AND 10H, BRISCOE RANCH (EAGLE FORD) FIELD, ZAVALA COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. - Technical Examiner
Dana Avant Lewis - Administrative Law Judge

DATE OF HEARING: May 17, 2016

CONFERENCE DATE: June 21, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

BlackBrush O&G, LLC

Paul Tough
John McBeath, P.E.

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), 2H (API No. 42-507-33049), and 10H (API No. 42-507-33233) at a combined rate of 600 thousand cubic feet of gas per day ("MCFGPD") for the three wells from March 29, 2016 through March 29, 2018. All offset operators in the subject field were notified of the hearing.

The application is not protested. The Administrative Law Judge and the Technical Examiner (collectively the Examiners) recommend approval of the application, as requested by Blackbrush.

DISCUSSION OF THE EVIDENCE

In the captioned docket, Blackbrush requests to flare a combined rate of 600 thousand cubic feet of gas per day ("MCFGPD") from the 1H, 2H and 10H wells from March 29, 2016 through March 29, 2018.

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). 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 potential, and the test data results included: 481 BOPD, 54 MCFPD, 0 BWPD, and 112 GOR. The Chittim 10H (API No. 42-507-33233)) was completed in the Briscoe Ranch (Eagle Ford) Field on August 02, 2015. The 10H Well was tested for twenty-four hour potential on August 24, 2015, and the test data results included: 411 BOPD, 230 MCFPD, 1,267 BWPD, and 559 GOR.

Blackbrush received a flaring exception for the 1H and 2H Wells by final order dated November 13, 2014. The exception was for a volume of 200 MCFPD for each well for two years, from March 29, 2014 through March 28, 2016.

The Oil and Gas Division administratively approved Blackbrush’s application to flare casing-head gas from the 10H Well (Permit No. 25960) at a rate of 600 MCFPD for 180 days from August 09, 2015 through February 06, 2016.

On March 04, 2016, Blackbrush submitted written request to schedule the subject hearing, which occurred on May 17, 2016. At the hearing, Blackbrush requested authority to flare a combined volume of up to 600 MCFPD from the three 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. 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 inactive. Blackbrush indicated that the closest available pipeline is roughly 5.8 miles south of the F1H well. The F1H Well and the 10H Well are roughly 4,000 feet west-southwest of the 2H well.

In support of its application, Blackbrush submitted an economic analysis comprised of several assumptive economic inputs where Blackbrush concludes that connecting the three wells to the available gas pipeline results in a loss of about \$4.4 million dollars throughout the life expectancy of the subject wells. As a result, Blackbrush requests to flare natural gas up to a combined volume of 600 MCFPD from the three wells from March 29, 2016 through March 29, 2018. 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 requests an exception to 16 Texas Administrative Code §3.32 to flare casing-head gas from its Chittim Heirs Lease, Well Nos. F1H, 2H and 10H at a combined rate of 600 thousand cubic feet of gas per day from March 29, 2016 through March 29, 2018.
2. Blackbrush received a flaring exception for the 1H and 2H Wells by final order dated November 13, 2014. The exception was for a volume of 200 MCFPD for each well for two years, from March 29, 2014 through March 28, 2016.
3. The Oil and Gas Division administratively approved Blackbrush's application to flare casing-head gas from the 10H Well (Permit No. 25960) at a rate of 600 MCFPD for 180 days from August 09, 2015 through February 06, 2016.
4. Blackbrush requested a hearing to consider flaring casing-head gas derived from the subject field through the subject wells on March 04, 2016.
5. Connecting the three wells to the nearest pipeline is uneconomical based on the cost to build a connecting pipeline from the wells compared with the value of the casinghead 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 a combined volume of up to 600 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, 2H and 10H, 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, 2H and 10H at a combined rate of up to 600 thousand cubic feet of gas per day from March 29, 2016 through March 28, 2018.

Respectfully submitted,



Richard Hyster, P.G.
Technical Examiner



Dana Avant Lewis
Administrative Law Judge