



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0286591

THE APPLICATION OF BLACKBRUSH OIL & GAS, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS LEASES, VARIOUS WELLS PERSON (EDWARDS), LABUS (AUSTIN), AND EAGLEVILLE (EAGLE FORD-2) FIELDS, KARNES COUNTY, TEXAS

HEARD BY: Karl Caldwell - Technical Examiner
Terry Johnson - Legal Examiner

HEARING DATE: March 20, 2014

APPEARANCES:

REPRESENTING:

APPLICANT:

Paul Tough
John McBeath

Blackbrush Oil & Gas, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Blackbrush Oil & Gas, LLC ("Blackbrush") requests an exception to Statewide Rule 32 to flare casinghead gas for various leases, various wells in Person (Edwards), Labus (Austin), and Eagleville (Eagle Ford-2) Fields, Karnes County, Texas. Notice was provided to offset operators surrounding the various leases and various wells and no protests were received. The application is unopposed and the examiners recommend approval of the exception to Statewide Rule 32 to flare casinghead gas from the subject leases and wells.

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 MCFGPD per well 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. In the context of the subject application, Blackbrush is requesting an exception to flare casinghead gas produced for various leases, various wells, as provided

by Statewide Rule 32(h).

Blackbrush has received administratively-granted permits to flare gas from the various leases and various wells. These permits have been granted for the maximum 180 days. By this hearing, Blackbrush is requesting additional flaring authority to prevent waste. A summary of the administrative permits and requested future flaring authority is as follows:

1. Mike Pawelek Unit No. 1 (Lease No. 02-09234)
 - a. Administrative Permit No.: 14342
 - i. Dates: July 22, 2013 through January 19, 2014
 - ii. Flare: 150 MCFPD
 - b. Requesting:
 - i. Dates: January 20, 2014 through March 21, 2014
 - ii. Flare: 45 MCFPD

2. Kotara-Janysek No. 3 (Lease No. 02-157823)
 - a. Existing Administrative Permit No.: 14343
 - i. Dates: July 22, 2013 through January 19, 2014
 - ii. Flare: 275 MCFPD
 - b. Requesting:
 - i. Dates: January 20, 2014 through March 21, 2014
 - ii. Flare: 275 MCFPD

3. Otha D Person No.9 (Lease No. 02-03281)
 - a. Existing Administrative Permit No.: 14341
 - i. Dates: July 22, 2013 through January 19, 2014
 - ii. Flare: 85 MCFPD
 - b. Requesting:
 - i. Dates: January 20, 2014 through March 21, 2014
 - ii. Flare: 85 MCFPD

4. Foegelle-Dugie Unit 1H (Lease No. 02-09966)
 - a. Existing Administrative Permit No.: 14346
 - i. Dates: July 22, 2013 through January 19, 2014
 - ii. Flare: 60 MCFPD
 - b. Requesting:
 - i. Dates: January 20, 2014 through January 20, 2015
 - ii. Flare: 100 MCFPD

5. Kolodziej-Pawelek Unit 1H (Lease No. 02-09947)
 - a. Existing Administrative Permit No.: 14344
 - i. Dates: July 22, 2013 through January 19, 2014
 - ii. Flare: 100 MCFPD
 - b. Requesting:

- i. Dates: January 20, 2014 through January 20, 2015
 - ii. Flare: 100 MCFPD

- 6. M. Pawelek 1H (Lease No. 02-10281)
 - a. Existing Administrative Permit No.: 14345
 - i. Dates: July 22, 2013 through January 19, 2014
 - ii. Flare: 150 MCFPD
 - b. Requesting:
 - i. Dates: January 20, 2014 through January 20, 2015
 - ii. Flare: 400 MCFPD

- 7. Theresa Pawelek 1H (Lease No. 02-10600)
 - a. Existing Administrative Permit No.: 13638
 - i. Dates: May 19, 2013 through November 17, 2013
 - ii. Flare: 1,500 MCFPD
 - b. Requesting:
 - i. Dates: November 18, 2013 through November 18, 2014
 - ii. Flare: 400 MCFPD

Blackbrush was legally precluded from diverting or selling gas from the subject leases and wells, pursuant to a temporary restraining order due to a dispute with a gas gatherer. On February 25, 2014, the lawsuit was dismissed and the following day, the Mike Pawelek Unit No. 1, Kotara-Janysek No. 3, and the Otha D Person No. 9 wells were re-connected to the gas gathering system. The Foegelle-Dugie Unit 1H, Kolodziej-Pawelek Unit 1H, M. Pawelek 1H, Theresa Pawelek 1H are all in the process of being connected to the gas gathering system. If Blackbrush does not receive the authority to flare gas from the various leases and wells, the wells will have to be shut-in until they are connected to the gas gathering system. Shutting the wells may damage the well and reservoir, measured by a loss of production and a reduction in ultimate recovery.

Blackbrush has requested a hearing for the subject leases and subject wells before the administratively-granted flare permit expired. Blackbrush requests exceptions to flare gas in the volumes and time periods outlined above.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten (10) days prior to the date of hearing and no protests to the application were received.
2. Statewide Rule 32(h) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days.
3. Permits granted flaring authority of gas from the various leases and wells, for 180 days, the maximum length of time allowed by an administrative permit were granted for the subject leases and wells.

4. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing prior to the expiration of the administratively granted flare permit.
5. Blackbrush has requested a hearing for the various leases and various wells before the administratively-granted flare permits expired.
6. The Mike Pawelek Unit No. 1, Kotara-Janysek No. 3, and the Otha D Person No. 9 were connected to a gas gathering system on February 26, 2014 and are no longer flaring gas.
7. The remaining leases and wells that were the subject of the hearing require additional flaring authority while awaiting monitoring and metering equipment for connection to the gas gathering system.
8. Exceptions to Statewide Rule 32 from the date the administratively-granted flare permits expire through the dates listed in Appendix A for the subject leases and wells to flare casinghead gas is appropriate.

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. Approval of the requested authority pursuant to Statewide Rule 32 will prevent waste, will not harm correlative rights and will promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve exceptions to Statewide Rule 32 from the date the administratively-granted flare permits expire through the dates listed in Appendix A for the various leases and various wells, as requested by Blackbrush Oil & Gas, LLC.

Respectfully submitted,


Karl Caldwell
Technical Examiner


Terry Johnson
Legal Examiner

Appendix A: Flare Permit Data

Well	ID	Prior Permit Expiration Date	New Permit Expiration Date	Permitted MCFPD
Mike Pawelek Unit No. 1	09234	01/19/2014	03/21/2014	45
Kotara-Janysek No. 3	157823	01/19/2014	03/21/2014	275
Otha D Person No. 9	03281	01/19/2014	03/21/2014	85
Foegelle-Dugie Unit 1H	09966	01/19/2014	01/20/2015	100
Kolodziej-Pawelek Unit 1H	09947	01/19/2014	01/20/2015	100
M. Pawelek 1H	10281	01/19/2014	01/20/2015	400
Theresa Pawelek 1H	10600	11/17/2013	11/18/2014	400