



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0298664

THE APPLICATION OF BLACKBRUSH O&G, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE FOEGELLE-DUGIE UNIT, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 02-0298847

THE APPLICATION OF BLACKBRUSH O&G, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PAWELEK, M. LEASE, WELL NO. 1H, LABUS (AUSTIN) FIELD, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 02-0299132

THE APPLICATION OF BLACKBRUSH O&G, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE KRUCIAK-YANTA UNIT, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 02-0299151

THE APPLICATION OF BLACKBRUSH O&G, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE YANTA ET AL UNIT, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 02-0299174

THE APPLICATION OF BLACKBRUSH O&G, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE YANTA, EDWIN LEASE, EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0298663

THE APPLICATION OF BLACKBRUSH O&G, LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE SAN PEDRO RANCH LEASE, HUGH FITZSIMMONS (SAN MIGUEL) FIELD, DIMMIT COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Ryan Lammert – Administrative Law Judge

Karnes County Leases/Units

The subject leases/units in Karnes County (Foegelle-Dugie Unit, Pawelek, M. Lease, Well No. 1H, Kruciak-Yanta Unit, Yanta Et Al Unit, and the Yanta, Edwin Lease) are currently connected to a gathering system (Regency). However; this is a low pressure system. As a result, Blackbrush was limited to 4 to 5 MMcf gas per day into the system. This volume constraint into the Regency system occurred at a time when Blackbrush was completing new wells in this area. As a result, Blackbrush was actively working with Regency to develop a long-term solution to assure Blackbrush would have gas take away capacity for development in that area.

In January 2015, Blackbrush brought four new wells into production, an increase of approximately 10 MMcf per day. As a result, Blackbrush exceeded the 4-5 MMcf per day pipeline capacity they had on the low pressure Regency system, and as a result, flared gas. In January 2015, Blackbrush was able to secure an alternative system, a DCP pipeline, to handle gas produced. The DCP pipeline is a higher pressure line; however, Blackbrush was limited to a capacity of approximately 8 MMcf per day. In total, both the Regency and DCP pipelines provided Blackbrush a total capacity of 12 to 13 MMcf per day in this area. However, Blackbrush was still up against its total available pipeline capacity, and exceeded this limit at times, as new wells were being completed and brought into production. During this time Blackbrush continued to add new wells and continued to work with Regency on a long term solution to the capacity issue.

In May 2015, through early July 2015, the Regency Tilden Plant went down, reducing Blackbrush's available pipeline capacity by approximately 4-5 MMcf per day, limiting Blackbrush to a capacity of approximately 8 MMcf per day into the DCP pipeline. In August 2015, Blackbrush brought three new wells on line which increased daily gas production by 5 MMcf per day. In Oct. 2015, Blackbrush secured a right-of-way to expand infrastructure to lay a 10-inch pipeline to DCP. This line went into service in February 2016. With this new infrastructure in place, Blackbrush believes the past capacity issues have been fully addressed in Karnes County. As a result, Blackbrush is not seeking any future flaring authority at this time for any wells in this area of Karnes County, and is only seeking flaring authority from the date the request for hearing for an exception to Statewide Rule 32 was received by the Commission, to August 24, 2016. The requested flare volumes for the Karnes County leases/units are as follows:

- Foegelle-Dugie Unit: 515 Mcf per day;
- Pawelek, M. Lease, Well No. 1H: 575 Mcf per day;
- Kruciak-Yanta Unit: 766 Mcf per day;
- Yanta Et Al Unit: 549 Mcf per day; and
- Yanta, Edwin Lease: 474 Mcf per day.

Dimmit County Lease

The San Pedro Ranch Lease is a large lease with approximately 21 horizontal wells and 9 vertical wells. Average monthly lease production is in excess of 20,000 BO and 250 MMcf. There are 11 central tank batteries on the subject lease, each with its own flare. All facilities are commingled into 4 compressor stations on the lease. The gas produced from wells on the lease is a high BTU gas, averaging 1,350 to 1,400 BTUs, which results in high heat and significant wear and tear on valves, etc. Any minor interruption along any point in the system will cause a flaring event to occur that exceeds the maximum allowed by Statewide Rule 32 without an exception, due the large volume of gas produced on-lease. This is the first time Blackbrush has requested an exception to Statewide Rule 32 for the San Pedro Ranch Lease. Blackbrush is requesting a two year exception to Statewide Rule 32 for a maximum volume of 750 Mcf per day.

FINDINGS OF FACT

1. Notice of this hearing was given to offset operators in the subject fields at least ten days' prior to the date of hearing. There were no protests to the applications.
2. All of the leases/units are currently connected to a gathering system in each of the subject dockets.
3. The Foegelle-Dugie Unit, Pawelek, M. Lease, Well No. 1H, Kruciak-Yanta Unit, Yanta Et Al Unit, and the Yanta, Edwin Lease were previously granted flaring permits.
4. The Commission received a request for a hearing for an exception to Statewide Rule 32 for the Foegelle-Dugie Unit and the Yanta, Edwin Lease on October 21, 2015.
5. The Commission received a request for a hearing for an exception to Statewide Rule 32 for the Pawelek, M. Lease on November 6, 2015.
6. The Commission received a request for a hearing for an exception to Statewide Rule 32 for the Kruciak-Yanta Unit on December 10, 2015.
7. The Commission received a request for a hearing for an exception to Statewide Rule 32 for the Yanta Et Al Unit on December 10, 2015.
8. Blackbrush believes the issues necessitating the requests for exceptions to Statewide Rule 32 for the Foegelle-Dugie Unit, Pawelek, M. Lease, Well No. 1H, Kruciak-Yanta Unit, Yanta Et Al Unit, and the Yanta, Edwin Lease

have been addressed and is not requesting to flare beyond August 24, 2016.

9. The Commission received a request from Blackbrush for a hearing for an exception to Statewide Rule 32 for the San Pedro Ranch Lease in Dimmit County on October 21, 2015. This is the first request by Blackbrush for an exception to Statewide Rule 32 for the San Pedro Ranch Lease.
10. The San Pedro Ranch Lease is a large lease with approximately 21 horizontal wells and 9 vertical wells.
11. Average monthly lease production for the San Pedro Ranch Lease is in excess of 20,000 BO and 250 MMcf.
12. There are 11 central tank batteries on the San Pedro Ranch Lease, each with its own flare. All facilities are commingled into 4 compressor stations on the lease.
13. The gas produced from wells on the San Pedro Ranch Lease is a high BTU gas, averaging 1,350 to 1,400 BTUs, which results in high heat and significant wear and tear on valves, etc. Any minor interruption along any point in the system will cause a flaring event to occur that exceeds the maximum allowed by Statewide Rule 32 without an exception, due to the large volume of gas produced on-lease.
14. Blackbrush is requesting an exception to Statewide Rule 32 for the San Pedro Ranch Lease for a period of two years, for a maximum volume of 750 Mcf per day.

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 3.32(h) (4) provides for an exception for more than 180 days and for volumes greater than 50 Mcf per day.

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 Foegelle-Dugie Unit, Pawelek, M. Lease, Well No. 1H, Kruciak-Yanta Unit, Yanta Et Al

Unit, and the Yanta, Edwin Lease from the date the Commission received the request for hearing, to August 24, 2016. The Examiners also recommend granting a two-year exception to Statewide Rule 32 for the San Pedro Ranch Lease, for a maximum of 750 Mcf per day as requested by Blackbrush O&G, LLC.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Ryan Lammert
Administrative Law Judge