



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0281320

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO.-USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE JAMBERS LEASE, WELL NOS. 9H AND 10H, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Terry Johnson - Legal Examiner

DATE OF HEARING: April 12, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
Jaimee Dahl
Kathy Hutching

Murphy Exploration & Production Co.-USA

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Murphy Exploration & Production Co.-USA ("Murphy") requests an exception to Statewide Rule 32 to flare casinghead gas from the Jambers Lease, Well Nos. 9H and 10H, Eagleville (Eagle Ford-1) Field, McMullen County, Texas.

Notice was provided to offset operators surrounding the above referenced lease. This application is unopposed and the examiners recommend approval of the exceptions to Statewide Rule 32 to flare casinghead gas, as requested by Murphy.

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 beyond 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, Murphy is requesting

to flare casinghead gas produced from the subject wells from the date the administrative permits expire through November 30, 2013, as provided by Statewide Rule 32(h).

The subject wells in this application are completed in the Eagleville (Eagle Ford-1) Field, in northeastern McMullen County, Texas, and are located approximately 12 miles northeast of the town of Tilden, Texas. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production. Due to the explosive rapid rate of drilling by Murphy and numerous other operators, there is a severe shortage of equipment, supplies, manpower and services available to construct and complete gas gathering pipelines.

Murphy submitted a copy of the Commission Form W-2 filed for the Jambers Lease, Well No. 9H, that was completed in October 2012. The well produced 393 BOPD, 384 MCFGPD and 88 BWPD with a gas-oil ratio of 977 cubic feet per barrel. Murphy received administrative Permit No. 12477 to flare 530 MCFPD of casinghead gas from the well. The permit was effective November 19, 2012, and expires on May 21, 2013, after three extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare a maximum of 530 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Jambers Lease, Well No. 10H, that was completed in October 2012. The well produced 349 BOPD, 368 MCFGPD and 127 BWPD with a gas-oil ratio of 1,054 cubic feet per barrel. Murphy received administrative Permit No. 12478 to flare 650 MCFPD of casinghead gas from the well. The permit was effective November 16, 2012, and expires on May 18, 2013, after three extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare a maximum of 550 MCFPD of casinghead gas.

Murphy requests an exception to Statewide Rule 32 to flare casinghead gas produced from the subject wells from the date the administrative permits expire through November 30, 2013. The wells are awaiting a connection to the Jambers Facility to deliver gas to the purchaser, DCP Midstream, LP. Murphy needs until November 30, 2013, for a temporary hook up to be completed. 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 permit. Murphy has requested a hearing for each of the subject wells before each wells' administrative flare permit expired.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing. There were no protests to the application.
2. The subject wells in this application are completed in the Eagleville (Eagle Ford-1) Field, in northeastern McMullen County, Texas.

- a. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production.
 - b. The Jambers Lease, Well No. 9H, was completed in October 2012 and produced 393 BOPD, 384 MCFGPD and 88 BWPD with a gas-oil ratio of 977 cubic feet per barrel.
 - c. The Jambers Lease, Well No. 10H, was completed in October 2012 and produced 349 BOPD, 368 MCFGPD and 127 BWPD with a gas-oil ratio of 1,054 cubic feet per barrel.
3. 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.
- a. Murphy Exploration & Production Co.-USA ("Murphy") received administrative Permit No. 12477 to flare 530 MCFPD of casinghead gas from the Jambers Lease, Well No. 9H. The permit was effective November 19, 2012, and expires on May 21, 2013, after three extensions, which totaled the maximum 180 days allowed by an administrative permit.
 - b. Murphy received administrative Permit No. 12478 to flare 650 MCFPD of casinghead gas from the Jambers Lease, Well No. 10H. The permit was effective November 16, 2012, and expires on May 18, 2013, after three extensions, which totaled the maximum 180 days allowed by an administrative permit.
4. An exception to Statewide Rule 32 from the date the administrative permits expire through November 30, 2013, for the subject wells will give Murphy time to complete the hook up of the wells to the Jambers Facility to deliver gas to the purchaser, DCP Midstream, LP.
5. An exception to Statewide Rule 32 from the date the administrative permits expire through November 30, 2013, for the subject wells to flare casinghead gas is appropriate.
- a. For the Jambers Lease, Well No. 9H, Murphy requests to flare a maximum of 530 MCFPD of casinghead gas.
 - b. For the Jambers Lease, Well No. 10H, Murphy requests to flare a maximum of 550 MCFPD of casinghead gas.

6. 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 permit. Murphy has requested a hearing for each of the subject wells before each wells' administrative flare permit expired.

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 grant an exception to Statewide Rule 32 from the date the administrative flare permits expire through November 30, 2013, for the subject wells, in the Eagleville (Eagle Ford-1) Field, as requested by Murphy Exploration & Production Co.-USA.

Respectfully submitted,



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Technical Examiner



Terry Johnson
Legal Examiner