



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0289796

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO – USA FOR AN EXCEPTION TO STATEWIDE RULE 32 GAS FLARING FOR THE PENNINGTON UNIT, WELL NO. 1H AND WILLIAMS UNIT, WELL NO. 1H, EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS, AND THE KBS CENTRAL FACILITY, BRISCOE RANCH (EAGLE FORD) FIELD, DIMMIT COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Cecile Hanna – Legal Examiner
Terry Johnson – Legal Examiner (Case transferred)

PREPARED BY: Peggy Laird, P.G. – Technical Examiner

HEARING DATE: August 15, 2014
RECORD CLOSED: August 22, 2014
CONFERENCE DATE: July 14, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
Bryan Williams
Brent G. Sonnier
Chris Vergona
Nicole Holloway

Murphy Exploration & Production Co - USA

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Murphy Exploration & Production Co – USA (Murphy) seeks exceptions to Statewide Rule 32 (16, Tex. Admin. Code §3.32) to flare gas from the Pennington Unit, Well No. 1H (Pennington) and the Williams Unit, Well No. 1H (Williams) Eagleville (Eagle Ford – 1) Field in Atascosa County, Texas. Murphy also seeks an exception to Statewide Rule 32 to flare gas from the KBS Central Facility (KBS), Briscoe Ranch (Eagle Ford) Field in Dimmit County, Texas. All offset operators in the subject fields were notified of the hearing. There were no

objections filed, and no protestants appeared at the hearing. The Examiners recommend the exceptions to Statewide Rule 32 be granted, as requested by Murphy.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. In the subject application, Murphy is seeking to flare gas, as provided in Statewide Rule 32(h), until appropriate gas facilities and connections can be completed.

The subject leases in this application are located in active Eagle Ford Formation fields in South Texas. These areas lack existing oil and gas infrastructure, in particular gas gathering, processing, and transmission facilities. At the hearing, Murphy presented the following information and testimony.

The Pennington Unit Well No. 1H (Pennington) is located about 9.5 miles southwest of Christine, Atascosa County and was completed on December 6, 2012, in the Eagleville (Eagle Ford-1) Field. Initial production was 339 barrels of oil per day (BOPD), 114 thousand cubic feet of gas per day (MCF/D), and 165 barrels of water per day (BWPD).

The Williams Unit Well No. 1H (Williams) is located about 9.5 miles southwest of Christine, Atascosa County and was completed on December 16, 2012, in the Eagleville (Eagle Ford-1) Field. Initial production was 287 BOPD, 113 MCF/D, and 79 BWPD.

The Pennington and the Williams Units share a well pad, and currently flare from one flare point at the well pad. The Pennington Williams Facility (Facility) is a processing plant for the Pennington and Williams that will be constructed on the well pad currently in use. Murphy will begin construction of the Facility in January 2015, and the projected completion date is March 2015. Murphy has an agreement with Access MLP Operating, LLC (Access) to connect to the Facility for the transmission and sales of the gas, thereby alleviating the need to flare. Access will construct the transmission pipeline from the tie-in point to the Facility. Murphy is requesting the flare exceptions while the Facility and transmission pipeline to the tie-in point are being completed. Murphy will sell the gas to Access, once construction of the facility and transmission line is completed.

Murphy received authorization (Final Order Docket Nos. 01-0282708 and 01-0282706) to flare up to 280 MCF/D casinghead gas for the Pennington Unit and up to 230 MCF/D for the Williams Unit from July 3, 2013 to July 2, 2014. Murphy's request for a hearing to extend the flaring authority was received on June 9, 2014. Murphy is requesting authority to flare up to 140 MCF/D for the Pennington Unit and up to 230 MCF/D for the Williams Unit from July 2, 2014, to June 30, 2015.

The KBS Central Facility (KBS) is located about 5 miles northwest of Catarina, Dimmit County. It is a temporary processing facility for 24 wells completed in the Briscoe Ranch (Eagle Ford) Field. The first of these wells, the Stumberg Estate Well No. 1H, was completed on June 16, 2012. Initial production was 311 BOPD, 188 MCF/D, and 340 BWPD.

The Murphy KBS treats gas from the wells before connecting to the transmission sales line operated by Energy Transfer Company (ETF). The volume of produced gas from the wells has increased, and the capacity of the current temporary facility is inadequate for the volume of gas produced. Murphy currently flares the excess gas from one flare point at KBS and is converting the KBS temporary facility to a permanent facility that will process both oil and gas. The capacity at KBS will be expanded to accommodate the increased volume of gas, thereby alleviating the need to flare. Upon completion of the permanent facility, all gas will be sold to ETF.

Murphy received administrative authority (Permit No. 16358) to flare up to 750 MCF/D for KBS from January 29, 2014 to July 27, 2014. Murphy's request for a hearing to extend the flaring authority was received on June 9, 2014. Murphy is requesting authority to flare up to 2,000MCF/D for the KBS Central Facility from July 27, 2014, to October 31, 2014.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice 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 various Eagle Ford Formation fields, which have limited infrastructure for gas gathering, processing and transmission.
3. Murphy is actively working to make available appropriate facilities for the gathering, processing and transmission of casinghead gas produced from the subject leases.
4. Murphy has agreements with Access and ETF for transmission and sales of casinghead gas.
5. These leases have received prior authorization to flare casinghead gas.
6. Approval of the subject application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32(h).

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Approval of the requested exception to Statewide Rule 32 to flare casinghead gas for the subject leases 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 for the subject leases, as requested by Murphy Exploration & Production Co – USA.

Respectfully submitted,



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Technical Examiner



Peggy Laird, P.G.
Technical Examiner



Terry Johnson
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