



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0279666

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO.-USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE TOM UNIT LEASE, WELL NO. 1H, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0280019

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO.-USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HERBST-MAY UNIT LEASE, WELL NO. 1H, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0280362

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO.-USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE KETCHBAW UNIT LEASE, WELL NO. 1H, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0280363

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO.-USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HAYES UNIT LEASE, WELL NO. 1H, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

DATE OF HEARING: February 7, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
Jamee 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 following wells:

<u>LEASE NAME</u>	<u>WELL NO.</u>	<u>FIELD NAME</u>
Tom Unit (16023)	1H	Eagleville (Eagleford-1)
Herbst-May (16065)	1H	Eagleville (Eagleford-1)
Ketchbaw Unit (16080)	1H	Eagleville (Eagleford-1)
Hayes Unit (16125)	1H	Eagleville (Eagleford-1)

Notice was provided to offset operators surrounding the above referenced leases. These applications are unopposed and the examiners recommend approval of the applications, 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 applications, Murphy is requesting to flare casinghead gas produced from the above listed wells through September 30 and October 31, 2013, as provided by Statewide Rule 32(h).

The subject wells in this application are completed in the Eagleville (Eagle Ford-1) Field, in eastern Atascosa and northeastern McMullen Counties, Texas. The Tom Unit, and Herbst-May Unit wells are located approximately 2.4 miles northeast of the town of Campbellton, Texas, and the Hayes and Ketchbaw Unit wells are located approximately 4.7 miles southwest of the town of Tilden, Texas in an area containing sour gas. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infrastructure 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 its Tom Unit Lease, Well No. 1H, that was completed in January 2012. The well initially produced 375 BOPD, 441 MCFGPD and 390 BWPD with a gas-oil ratio of 1,176 cubic feet per barrel. Murphy received administrative Permit No. 11056 to flare 650 MCFPD of casinghead gas from its Tom Unit Lease, Well No. 1H. The permit was effective February 7, 2012, and expired on August 8, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. A Commission issued Order for Oil and Gas Docket No. 01-0276639 on August 21, 2012 extended the flare authority until December 31, 2012. Murphy requests to flare 650 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Herbst-May Unit Lease, Well No. 1H, that was completed in July 2012. The well produced 169 BOPD, 76 MCFGPD and 164 BWPD with a gas-oil ratio of 449 cubic feet per barrel. Murphy received administrative Permit No. 11744 to flare 110 MCFPD of casinghead gas from its Herbst-May Unit Lease, Well No. 1H. The permit was effective July 25, 2012, and expired on January 5, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 110 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Ketchbaw Unit Lease, Well No. 1H, that was completed in August 2012. The well produced 200 BOPD, 495 MCFGPD and 140 BWPD with a gas-oil ratio of 2,475 cubic feet per barrel. Murphy received administrative Permit No. 11940 to flare 780 MCFPD of casinghead gas from its Ketchbaw Unit, Well No. 1H. The permit was effective August 28, 2012, and expires on February 25, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 780 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Hayes Unit Lease, Well No. 1H, that was completed in August 2012. The well produced 282 BOPD, 299 MCFGPD and 185 BWPD with a gas-oil ratio of 1,060 cubic feet per barrel. Murphy received administrative Permit No. 11939 to flare 580 MCFPD of casinghead gas from its Hayes Unit Lease, Well No. 1H. The permit was effective August 27, 2012, and expires on February 25, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 580 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 permits expire through September 30, 2013 for wells on the Tom and Herbst-May Units and October 31, 2013 for the wells on the Ketchbaw and Hayes Units. The wells on the Tom and Herbst-May Units are awaiting the completion of the Tom Central Facility and will need until September 30 2013 for a temporary hook up to be completed. The wells on the Hayes and Ketchbaw Units produce sour gas and will need to flare gas until October 31, 2013 when negotiations for right of

way and temporary gas lines are completed. An operator is considered temporarily compliant with Statewide Rule 32 provided they had requested a hearing anytime prior to the administratively granted permit expires and until final commission action on the hearing application. Murphy has requested a hearing for each of the subject wells before each wells' flare gas permits 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 eastern Atascosa and northeastern McMullen Counties, Texas.
 - a. These areas of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production.
 - b. The Tom Unit, Well No. 1H, that was completed in January 2012 and initially produced 375 BOPD, 441 MCFGPD and 390 BWPD with a gas-oil ratio of 1,176 cubic feet per barrel.
 - c. The Herbst-May Unit, Well No. 1H, that was completed in July 2012 and initially produced 169 BOPD, 76 MCFGPD and 164 BWPD with a gas-oil ratio of 449 cubic feet per barrel.
 - d. The Ketchbaw Unit, Well No. 1H, that was completed in August 2012 and initially produced 200 BOPD, 495 MCFGPD and 140 BWPD with a gas-oil ratio of 2,475 cubic feet per barrel.
 - e. The Hayes Unit, Well No. 1H, that was completed in August 2012 and initially produced 282 BOPD, 299 MCFGPD and 185 BWPD with a gas-oil ratio of 1,060 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 received administrative Permit No. 11056 to flare 650 MCFPD of casinghead gas from its Tom Unit, Well No. 1H. The permit was effective February 7, 2012, and expired on August 8, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. A Commission issued Order for Oil and Gas Docket No. 01-0276639 on August 21, 2012 extended the flare

authority until December 31, 2012. Murphy requests to flare 650 MCFPD of casinghead gas.

- b. Murphy received administrative Permit No. 11940 to flare 110 MCFPD of casinghead gas from its Herbst-May Unit, Well No. 1H. The permit was effective July 25, 2012, and expired on January 5, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 110 MCFPD of casinghead gas.
 - c. Murphy received administrative Permit No. 11940 to flare 780 MCFPD of casinghead gas from its Ketchbaw Unit, Well No. 1H. The permit was effective August 28, 2012, and expires on February 25, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 780 MCFPD of casinghead gas.
 - d. Murphy received administrative Permit No. 11939 to flare 580 MCFPD of casinghead gas from its Hayes Unit, Well No. 1H. The permit was effective August 27, 2012, and expires on February 25, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 580 MCFPD of casinghead gas.
4. An exception to Statewide Rule 32 through September 30 2013 and October 31, 2013, for the subject wells will give Murphy time to complete the wells hook up to the Tom Central Facility and negotiations for right of way and temporary gas lines are completed in the Ketchbaw and Hayes Units.
 5. An exception to Statewide Rule 32 through September 30 2013 and October 31, 2013, for the subject wells to flare casinghead gas is appropriate.
 - a. For its Tom Unit, Well No. 1H, Murphy requests to flare 650 MCFPD of casinghead gas.
 - b. For its Herbst-May Unit, Well No. 1H, Murphy requests to flare 110 MCFPD of casinghead gas.
 - c. For its Ketchbaw Unit, Well No. 1H, Murphy requests to flare 780 MCFPD of casinghead gas.
 - d. For its Hayes Unit, Well No. 1H, Murphy requests to flare 580 MCFPD of casinghead gas

- e. An operator is considered compliant with Statewide Rule 32 provided they had requested a hearing anytime prior to the administratively granted permit expires. Murphy has requested a hearing for each of the subject wells before each wells' flare gas 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 through September 30, 2013, and October 31, 2013, for the subject wells in the Eagleville (Eagle Ford-1) Field, as requested by Murphy Exploration & Production Co.-USA.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Michael Crnich
Legal Examiner