

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 01-0274136

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR ITS BRIGGS LEASE, WELL NO. 6H AND KONE LEASE, WELL NOS. 1H AND 2H IN THE BRISCOE RANCH (EAGLEFORD) FIELD, DIMMIT COUNTY, TEXAS

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

HEARING DATE: February 23, 2012

APPLICANT:

Kelli Kenney
Merlyn Spence
Kathy Hutching
Morgan David

REPRESENTING:

Murphy Exploration & Production Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Murphy Exploration & Production Co. ("Murphy") requests an exception to Statewide Rule 32 to flare gas from its Briggs Lease, Well No. 6H, and Kone Lease, Well Nos. 1H and 2H in the Briscoe Ranch (Eagleford) Field, Dimmit County, Texas. All operators in the subject field were notified of the hearing, there were no objections filed, and no protestant appeared at the hearing.

This application was unopposed and the examiners recommend approval of the application, 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 context of the subject application, Murphy is requesting to flare gas produced by its Briggs

Lease, Well No. 6H, and Kone Lease, Well Nos. 1H and 2H, as provided in Statewide Rule 32(h).

The subject wells in this application are completed in the Briscoe Ranch (Eagleford) Field located in Dimmit County, Texas. The wells are located approximately 5 mile NE of Catarina Texas, an area that lacks existing oil and gas infrastructure since it is new to production. In support of its application, Murphy submitted a copy of the W-2 filed for its Briggs Lease, Well No. 6H. The Form W-2 indicates the subject well was completed in the Briscoe Ranch (Eagleford) in May 2011. The initial potential test results performed on September 1, 2011, report the well produced 350 BO, 295 MCFG, and 150 BW with a GOR of 842:1. The Kone Lease, Well No. 1H was completed in the Briscoe Ranch (Eagleford) in May 2011. The initial potential test results performed on November 13, 2011, report the well produced 281 BO, 211 MCFG, and 69 BW with a GOR of 750:1. The Kone Lease, Well No. 2H was completed in the Briscoe Ranch (Eagleford) in July 2011. The initial potential test results performed on November 8, 2011, report the well produced 382 BO, 317 MCFG, and 111 BW with a GOR of 829:1. The wells were initially completed and produced through casing. After running tubing oil and gas production increased significantly in each well.

Representatives of Murphy testified that at the time of completion there was no gas pipeline infrastructure available to any of the three wells in this request. Murphy further stated that they had to make a capital commitment to Energy Transmission Company (ETC) for them to build a main sales gas pipeline in the area. ETC began building the main sales pipeline in October 2011 and completed it on January 19, 2012.

Murphy stated it is currently in the process of constructing a seven mile right of way (ROW) and pipeline that will be connected from its Briggs Lease, Well No. 6H to the ETC main sales pipeline. Murphy testified it has experienced construction delays as it had to replace its initial engineering firm selected to do the design work. It became apparent to Murphy the first firm would not design adequate facilities. Murphy anticipates completing construction on the seven mile gathering pipeline by the end of March 2012.

The Kone Lease, Well No. 1H will require a 6,000 foot gathering line and the Kone Lease, Well No. 2H will require a 4,500 foot gathering line to connect to the ETC main sales pipeline. Murphy will build both the gathering lines and the central processing facilities at the same time. The central processing facility will have high and low pressure separators that will separate the oil, condensate from the liquids-rich wet gas, and the dry gas. Murphy anticipates completing the facilities and the gathering pipelines on the Kone lease by the end of May 2012.

At the hearing, Murphy submitted an administrative permit (Permit No. 10582) to flare 260 MCFGPD of casinghead gas from its Briggs Lease, Well No. 6H, that went into effect July 18, 2011, and ultimately expired on January 16, 2012, after three extensions totaling the maximum 180 days. Permit No. 10543 for the Kone Lease, Well No. 1H

allowed the flaring of a maximum of 200 MCFGPD for 180 days and expired on February 8, 2012. Permit No. 10508 for the Kone Lease, Well No. 2H allowed the flaring of a maximum of 155 MCFGPD for 180 days and expired on January 29, 2012.

Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a period no greater than 180 days. As previously mentioned, Murphy applied for and received an administrative permit to flare casinghead gas from its subject wells for a total of 180 days each. Murphy testified that due to the amount of time it will take to construct the gathering pipelines and the increased volume of gas as a result of running tubing in the wells, it is requesting the exception to Statewide Rule 32 to flare a volume of less than 600 MCFPD of gas for the Briggs Well No. 6H until the end of April 2012, 800 MCFPD of gas for the Kone Well No. 1H, and 700 MCFPD of gas for the Kone Well No. 2H until the end of May 2012.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all operators in the Briscoe Ranch (Eagleford) Field at least ten days prior to the date of hearing. There were no protests to the application.
2. Murphy completed its Briggs Lease, Well No. 6H, and Kone Lease, Well Nos. 1H and 2H into the Briscoe Ranch (Eagleford) Field.
 - a. The Briggs Lease, Well No. 6H was completed in May 2011. The initial potential test results performed on September 1, 2011 report the well produced 350 BO, 295 MCFG, and 150 BW with a GOR of 842:1.
 - b. The Kone Lease, Well No. 1H was completed in May 2011. The initial potential test results performed on November 13, 2011 report the well produced 281 BO, 211 MCFG, and 69 BW with a GOR of 750:1.
 - c. The Kone Lease, Well No. 2H was completed in July 2011. The initial potential test results performed on November 8, 2011 report the well produced 382 BO, 317 MCFG, and 111 BW with a GOR of 829:1.
3. The Briggs Lease, Well No. 6H, and Kone Lease, Well Nos. 1H and 2H are located approximately 5 mile NE of Catarina Texas, an area that lacks existing oil and gas infrastructure since it is new to production.
4. At the time of completion there was no gas pipeline infrastructure available to any of the three wells in this request. Murphy had to make a capital commitment to Energy Transmission Company (ETC) for them to build a main sales gas pipeline in the area.
5. ETC began building the main sales pipeline in October 2011 and completed it on January 19, 2012.

6. Murphy is currently in the process of constructing a seven mile right of way (ROW) and pipeline that will be connected from its Briggs Lease, Well No. 6H to the ETC main sales pipeline. Murphy anticipates completing construction on the seven mile gathering pipeline by the end of March 2012.
7. The Kone Lease, Well No. 1H will require a 6,000 foot gathering line and the Kone Lease, Well No. 2H will require a 4,500 foot gathering line to connect to the ETC main sales pipeline. Murphy anticipates completing the facilities and the gathering pipelines on the Kone lease by the end of May 2012.
8. Murphy obtained administrative permits and extensions to flare casinghead gas from each well for the maximum period of 180 days.
 - a. Permit No. 10582 to flare 260 MCFGPD of casinghead gas from its Briggs Lease, Well No. 6H, went into effect July 18, 2011 and ultimately expired on January 16, 2012.
 - b. Permit No. 10543 for the Kone Lease, Well No. 1H allowed the flaring of a maximum of 200 MCFGPD for 180 days and expired on February 8, 2012.
 - c. Permit No. 10508 for the Kone Lease, Well No. 2H allowed the flaring of a maximum of 155 MCFGPD for 180 days and expired on January 29, 2012.
9. The wells were initially completed and produced through casing. After running tubing, oil and gas production increased significantly in each well.
10. Murphy is requesting the exception to Statewide Rule 32 to flare a volume of less than 600 MCFPD of gas for the Briggs Well No. 6H, 800 MCFPD of gas for the Kone Well No. 1H, and 700 MCFPD of gas for the Kone Well No. 2H to compensate for the increased production.
11. An exception to Statewide Rule 32 for its Briggs Lease, Well No. 6H for a period until the end of April 2012, and the Kone Lease, Well Nos. 1H and 2H for a period until the end of May 2012 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 grant an exception to Statewide Rule 32 for its Briggs Lease, Well No. 6H for a period until the end of April 2012, and the Kone Lease, Well Nos. 1H and 2H for a period until the end of May 2012 in the Briscoe Ranch (Eagleford) Field, as requested by Murphy Exploration & Production Co.

Respectfully submitted,

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Technical Examiner

Michael Crnich
Hearings Examiner