



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0282706

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

OIL AND GAS DOCKET NO. 01-0282707

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

OIL AND GAS DOCKET NO. 01-0282708

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

OIL AND GAS DOCKET NO. 01-0282709

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

OIL AND GAS DOCKET NO. 01-0282710

THE APPLICATION OF MURPHY EXPL. & PROD. CO. - USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE EL REGALO BUCKHORN LEASE, WELL NO. 3H, IN THE BRISCOE RANCH (EAGLE FORD) FIELD, DIMMIT COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0282711

THE APPLICATION OF MURPHY EXPL. & PROD. CO. - USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE EL REGALO BUCKHORN LEASE, WELL NO. 4H, IN THE BRISCOE RANCH (EAGLE FORD) FIELD, DIMMIT COUNTY, TEXAS

OIL AND GAS DOCKET NO. 02-0282712

THE APPLICATION OF MURPHY EXPL. & PROD. CO. - USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE 4J MINERALS UNIT, WELL NO. 1H, IN THE EAGLEVILLE (EAGLE FORD-2) FIELD, KARNES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0282713

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

OIL AND GAS DOCKET NO. 01-0282714

THE APPLICATION OF MURPHY EXPL. & PROD. CO. - USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CARVER UNIT 1, WELL NO. 2H, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0282715

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

OIL AND GAS DOCKET NO. 01-0282716

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

HEARD BY: Paul Dubois - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: August 9, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
Sean Petersen
Nicole Holloway
Morgan David
Sasha Ferrell

Murphy Expl. & Prod. Co. - USA

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Murphy Expl. & Prod. Co. - USA (Murphy) requests exceptions to Statewide Rule 32 to flare gas from eleven (11) wells in the Eagleville (Eagle Ford-1), Eagleville (Eagle Ford-2) and Briscoe Ranch (Eagle Ford) Fields in Atascosa, McMullen, Karnes and Dimmit Counties, 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 approval of the exceptions to Statewide Rule 32 to flare gas for the subject wells, as requested by Murphy.

DISCUSSION OF THE EVIDENCE

The subject wells in this application are completed in active Eagle Ford Formation fields in South Texas, in areas that lack existing oil and gas infrastructure for new production facilities, in particular gas gathering, processing, and transmission facilities.

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 applications, Murphy is requesting to flare gas produced by the subject wells, as provided in Statewide Rule 32(h), for a limited time until appropriate gas facilities and connections can be completed. In certain situations, Murphy will experience contractual delays in site access for facilities construction due to the onset of hunting season.

Murphy's general plan of action with regard to facilities construction has been to install temporary gas processing plants as an interim measure while larger permanent facilities are built, minimizing the need to flare. The economics driving the current development is the market for oil, which, at current prices, provides a much more significant resource revenue stream than casinghead gas. Murphy testified that its leasehold acreage was now secured by producing wells, and it would focus more attention and resources to developing gas infrastructure, reducing the need to flare (and waste) gas.

Statewide Rule 32(h)(2) stipulates that the Commission may administratively grant an exception to Statewide Rule 32 for a particular well for 60 days. Such permit may be granted for a total of 180 days. Murphy applied for and received administrative permits to flare casinghead gas from the subject wells for a total of 180 days each. Murphy received the following administrative permits for the eleven wells:

Well	Permit No.	Flare Volume (MCF/D)	Effective Date	Expiration Date
Williams Unit, Well No. 1H	12575	230	12/31/12	07/02/13
R. MTZ Unit, Well No. 1H	12709	100	01/15/13	07/13/13
Pennington Unit, Well No. 1H	12576	280	12/31/12	07/02/13
Herbst Unit A, Well No. 1H	14004	230	12/06/12	06/04/13
El Regalo Buckhorn Lease, Well No. 3H	12580	370	12/30/12	06/30/13
El Regalo Buckhorn Lease, Well No. 4H	12579	470	12/30/12	06/30/13
4 Minerals Unit, Well No. 1H	12578	1,300	12/22/12	06/22/13
BEK Lease, Well No. 1H	12577	300	12/08/12	06/08/13
Carver Unit 1, Well No. 1H	12482	300	12/10/15	06/10/13
Carver Unit 1, Well No. 2H	12481	300	12/15/12	06/15/13
Edwards Unit, Well No. 1H	12483	500	12/10/12	06/10/13

In each case, prior to expiration of the administrative permit, Murphy requested a hearing for an exception to the 180 day administrative limit on flaring. The request for a hearing allows the permit to remain in effect beyond the expiration, pending outcome of the hearing. At the hearing Murphy presented information and testimony for all eleven wells. What follows is a summary of Murphy's presentation. The wells have been grouped by field.

Eagleville (Eagle Ford-1)

The **Williams Unit Well No. 1H** is located approximately 9.5 miles southwest of Christine, Atascosa County. The well was completed on December 16, 2012 in the Eagleville (Eagle Ford-1) Field. Initial production was 287 BOPD, 113 MCFGPD, and 79 BWPD. Murphy is currently waiting on landowner approval of a gathering line and the Williams Facility (processing plant). Facility design and planning should be complete by September 2013, with construction beginning as soon as landowner approval is secured. Murphy anticipates construction completion in November 2013. The Williams Facility will include a temporary gas separator, dehydrator, and associated equipment prior to sales point. At this time, however, a sales contract and sales point have not been established. Negotiations with an initial gas transmission company were unsuccessful; Murphy is currently in negotiations with Access Midstream, LLC. Murphy may need to flare after completion of the Williams Facility and until a sales point is established. The well is currently flaring from the well pad. Murphy is requesting authority to flare 230 MCF/D for one year, from July 3, 2013 to July 2, 2014.

The **Pennington Unit Well No. 1H** is located 9.5 miles southwest of Christine, Atascosa County. The well was completed on December 6, 2012 in the Eagleville (Eagle Ford-1) Field. Initial production was 339 BOPD, 114 MCFGPD, and 165 BWPD. The situation and issues for this well are identical to those of the Williams Unit Well No. 1H, as the wells share a well pad and will both feed into the proposed Williams Facility. Murphy is requesting authority to flare 280 MCF/D for one year, from July 3, 2013 to July 2, 2014.

The **R. MTZ Unit Well No. 1H** is located 12.6 miles southeast of Jourdanton, Atascosa County. The well was completed on November 29, 2012 in the Eagleville (Eagle Ford-1) Field. Initial production was 219 BOPD, 55 MCFGPD, and 297 BWPD. Production from this well will be sent to the proposed Scared Dog Facility. Murphy experienced delays resulting from a change in the design and engineering firms in January 2013, as well as changes to facility scope. Murphy is now concentrating on developing the gathering system, including securing final right-of-ways. The Scared Dog Facility should be completed in December 2013. The sales point is already in place. Construction work on this facility will be restricted contractually, however, by hunting rights in the fall and winter. Murphy is requesting authority to flare 100 MCF/D from July 14, 2013 to March 31, 2014.

The **Herbst Unit A Well No. 1H** is located 14.32 miles northeast of Christine, Atascosa County. The well was completed on November 19, 2012 in the Eagleville (Eagle Ford-1) Field. Initial production was 270 BOPD, 99 MCFGPD, and 326 BWPD. The situation and issues for this well are identical to those of the R. MTZ Unit Well No. 1H, as the wells will both feed into the proposed Scared Dog Facility. Murphy is requesting authority to flare 230 MCF/D from June 5, 2013 to March 31, 2014.

The **BEK Lease Well No. 1H** is located 9.4 miles northwest of Tilden, McMullen County. The well was completed on November 11, 2012. Initial production was 402 BOPD, 191 MCFGPD and 112 BWPD. Murphy is currently in the process of designing and constructing the gathering and processing facilities. Right-of-ways have been obtained, design should be completed in August 2013, and construction should begin immediately after with a target completion date of November 2013. The Baring Central Facility will be a temporary facility that will be followed by a permanent facility in 2014. Hunting activity in this area may also affect site access for construction in the fall and winter. Murphy is requesting authority to flare 300 MCF/D from June 9, 2013 to March 31, 2014.

The **Carver Unit Well No. 1H** is located 9.4 miles northwest of Tilden, McMullen County. The well was completed on November 21, 2012. Initial production was 440 BOPD, 129 MCFGPD and 102 BWPD. The situation and issues for this well are identical to those of the BEK Unit Well No. 1H, as the wells share a well pad and will feed into the proposed Baring Central Facility. Murphy is requesting authority to flare 300 MCF/D from June 11, 2013 to March 31, 2014.

The **Carver Unit Well No. 2H** is located 9.4 miles northwest of Tilden, McMullen County. The well was completed on November 21, 2012. Initial production was 457 BOPD, 142 MCFGPD and 101 BWPD. The situation and issues for this well are identical to those of the BEK Unit Well No. 1H, as the wells share a well pad and will feed into the proposed Baring Central Facility. Murphy is requesting authority to flare 300 MCF/D from June 16, 2013 to March 31, 2014.

The **Edwards Unit Well No. 1H** is located 9.4 miles northwest of Tilden, McMullen County. The well was completed on November 20, 2012. Initial production was 354 BOPD, 162 MCFGPD and 107 BWPD. The situation and issues for this well are identical to those of the BEK Unit Well No. 1H, as the wells share a well pad and will feed into the proposed Baring Central Facility. Murphy is requesting authority to flare 300 MCF/D from June 11, 2013 to March 31, 2014.

Briscoe Ranch (Eagle Ford)

The **El Regalo Buckhorn Lease Well No. 3H** is located 6.7 miles NE of Catrina, Dimmit County. The well was completed on November 29, 2012. Initial production was 366 BOPD, 192 MCFGPD, and 491 BWPD. Murphy is in the process of constructing gathering and processing facilities. Right of ways are in place. The design of the KBS

Facility was completed in July 2013 and is currently under construction with an estimated completion date of September 2013. Temporary gas processing facilities will be in place in September, with a permanent system in place by January 2014. The gas purchaser, ETC, is in right-of-way negotiations currently, with anticipated completion of the sales point by October 2013, although this date is at risk. Construction in the fall and winter is subject to restrictions based on hunting rights. Murphy is requesting authority to flare 370 MCF/D from July 1, 2013 to March 31, 2014.

The **El Regalo Buckhorn Lease Well No. 4H** is located 6.7 miles NE of Catrina, Dimmit County. The well was completed on November 29, 2012. Initial production was 300 BOPD, 190 MCFGPD, and 215 BWPD. The situation and issues for this well are identical to those of the El Regalo Buckhorn Lease Well No. 3H, as the wells share a well pad and both will feed to the KBS Facility. Murphy is requesting authority to flare 470 MCF/D from July 1, 2013 to March 31, 2014.

Eagleville (Eagle Ford-2)

The **4J Mineral Unit Well No. 1H** is located 5 miles northeast of Karnes City, Karnes County. The well was completed on December 3, 2012. Initial production was 737 BOPD, 1,075 MCFGPD, and 192 BWPD. This well was connected to a sales line on July 3, 2013 and no longer requires flaring authority. Murphy is requesting authority to flare 1,300 MCF/D from June 23, 2013 through July 3, 2013.

FINDINGS OF FACT

1. Proper notice of this hearing was given. For each well all offset operators in the appropriate field were notified 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 are experiencing very rapid development and a lack of infrastructure, particularly 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 wells.
4. Murphy's general approach is to construct temporary gas facilities as an interim means of processing gas until permanent facilities are in place.
5. In some cases, surface hunting rights may restrict access for the construction of surface gas gathering, processing and transmission facilities.

6. Murphy applied for and was granted administrative approval to flare gas from each of the 11 wells.
7. The administrative flaring approval for each well was for the maximum 180 days.
8. For each well, Murphy requested a hearing more than 21 days before the expiration of the administrative permit.
9. One well, the 4J Mineral Unit Well No. 1H, went to sales on July 3, 2013, and does not require flaring authority beyond that date.
10. For the remaining 10 wells, Murphy has established schedules (that provide some flexibility) and should allow it to eliminate the need to flare all casinghead gas from the subject wells by July 2, 2014.

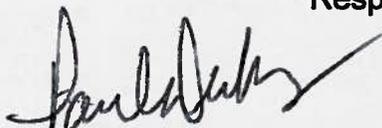
CONCLUSIONS OF LAW

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 exception to Statewide Rule 32 to flare gas for the subject wells 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 wells, as requested by Murphy Expl. & Prod. Co. - USA.

Respectfully submitted,



Paul Dubois
Technical Examiner



Michael Crnich
Legal Examiner