



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0278865

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

OIL AND GAS DOCKET NO. 01-0278866

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

OIL AND GAS DOCKET NO. 01-0278867

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO.-USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE WALNUT LEASE, WELL NOS. 1H AND 2H, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0279366

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

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Terry Johnson- Legal Examiner

DATE OF HEARING: December 14, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
Jamee Dahl,
Morgan David
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>
Roxana Unit	1H	Eagleville (Eagleford-1)
Saylee South	1H	Eagleville (Eagleford-1)
Walnut	1H & 2H	Eagleville (Eagleford-1)
Craig	1H	Eagleville (Eagleford-1)
Jeffery	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 July 31 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 Roxana Unit, Walnut Craig and Jeffery wells are located approximately 2 miles northeast of the town of Campbellton, Texas, and the Saylee South wells are located approximately 3 miles west 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 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 its Roxana Unit Lease, Well No. 1H, that was completed in March 2012. The well initially produced 285 BOPD, 180 MCFGPD and 200 BWPD with a gas-oil ratio of 631 cubic feet per barrel. Murphy received administrative Permit No. 11338 to flare 230 MCFPD of casinghead gas from its Roxana Unit Lease, Well No. 1H. The permit was effective May 10, 2012, and expired on November 9, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 230 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Saylee South Lease, Well No. 1H, that was completed in March 2011. The well produced 360 BOPD, 541 MCFGPD and 90 BWPD with a gas-oil ratio of 1,502 cubic feet per barrel. Murphy received administrative Permit No. 11371 to flare 500 MCFPD of casinghead gas from its Saylee South Lease, Well No. 1H. The permit was effective May 28, 2012, and expired on November 27, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 600 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Walnut Lease, Well No. 1H, that was completed in February 2012. The well produced 264 BOPD, 256 MCFGPD and 240 BWPD with a gas-oil ratio of 969 cubic feet per barrel. Murphy received administrative Permit No. 11339 to flare 300 MCFPD of casinghead gas from its Walnut Lease, Well No. 1H. The permit was effective May 9, 2012, and expired on November 7, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 300 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Walnut Lease, Well No. 2H, that was completed in January 2012. The well produced 216 BOPD, 208 MCFGPD and 216 BWPD with a gas-oil ratio of 962 cubic feet per barrel. Murphy received administrative Permit No. 11340 to flare 300 MCFPD of casinghead gas from its Walnut Lease, Well No. 2H. The permit was effective May 10, 2012, and expired on November 9, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 300 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Craig Lease, Well No. 1H, that was completed in April 2012. The well produced 302 BOPD, 160 MCFGPD and 178 BWPD with a gas-oil ratio of 529 cubic feet per barrel. Murphy received administrative Permit No. 11541 to flare 170 MCFPD of casinghead gas from its Craig Lease, Well No. 1H. The permit was effective June 20, 2012, and expired on December 20, 2012, after two extensions, which totaled the maximum 180 days allowed by an

administrative permit. Murphy requests to flare 170 MCFPD of casinghead gas.

Murphy submitted a copy of the Commission Form W-2 filed for its Jeffery Lease, Well No. 1H, that was completed in April 2012. The well produced 459 BOPD, 301 MCFGPD and 270 BWPD with a gas-oil ratio of 655 cubic feet per barrel. Murphy received administrative Permit No. 11539 to flare 300 MCFPD of casinghead gas from its Jeffery Lease, Well No. 1H. The permit was effective June 24, 2012, and expired on December 24, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 300 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 July 31, 2013 for wells on the Roxana Unit, Walnut, Craig and Jeffery leases and October 31, 2013 for the well on the Saylee South Lease. The wells on the Roxana Unit, Walnut, Craig and Jeffery leases are awaiting the completion of the Tom Central Facility and will need until July 31 2013 for a temporary hook up to be completed. The well on the Saylee South lease produces sour gas and will need to flare gas until October 31, 2013 when additional wells are drilled and temporary sour 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 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 eastern Atascosa and northeastern McMullen Counties, Texas.
 - a. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production.
 - b. The Roxana Unit Lease, Well No. 1H, that was completed in March 2012 and initially produced 285 BOPD, 180 MCFGPD and 200 BWPD with a gas-oil ratio of 631 cubic feet per barrel.
 - c. The Saylee South Lease, Well No. 1H, that was completed in March 2011 and initially produced 360 BOPD, 541 MCFGPD and 90 BWPD with a gas-oil ratio of 1,502 cubic feet per barrel.
 - d. The Walnut Lease, Well No. 1H, that was completed in February

2012 and initially produced 264 BOPD, 256 MCFGPD and 240 BWPD with a gas-oil ratio of 969 cubic feet per barrel.

- e. The Walnut Lease, Well No. 2H, that was completed in January 2012 and initially produced 216 BOPD, 208 MCFGPD and 216 BWPD with a gas-oil ratio of 962 cubic feet per barrel.
 - f. The Craig Lease, Well No. 1H, that was completed in April 2012 and initially produced 302 BOPD, 160 MCFGPD and 178 BWPD with a gas-oil ratio of 529 cubic feet per barrel.
 - g. The Jeffery Lease, Well No. 1H, that was completed in April 2012 and initially produced 459 BOPD, 301 MCFGPD and 270 BWPD with a gas-oil ratio of 655 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. 11338 to flare 230 MCFPD of casinghead gas from its Roxana Unit Lease, Well No. 1H. The permit was effective May 10, 2012, and expired on November 9, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit.
 - b. Murphy received administrative Permit No. 11371 to flare 500 MCFPD of casinghead gas from its Saylee South Lease, Well No. 1H. The permit was effective May 28, 2012, and expired on November 27, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 600 MCFPD of casinghead gas.
 - c. Murphy received administrative Permit No. 11339 to flare 300 MCFPD of casinghead gas from its Walnut Lease, Well No. 1H. The permit was effective May 9, 2012, and expired on November 7, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 300 MCFPD of casinghead gas.
 - d. Murphy received administrative Permit No. 11340 to flare 300 MCFPD of casinghead gas from its Walnut Lease, Well No. 2H. The permit was effective May 10, 2012, and expired on November 9, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 300 MCFPD of

casinghead gas.

- e. Murphy received administrative Permit No. 11541 to flare 170 MCFPD of casinghead gas from its Craig Lease, Well No. 1H. The permit was effective June 20, 2012, and expired on December 20, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 170 MCFPD of casinghead gas.
 - f. Murphy received administrative Permit No. 11539 to flare 300 MCFPD of casinghead gas from its Jeffery Lease, Well No. 1H. The permit was effective June 24, 2012, and expired on December 24, 2012, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Murphy requests to flare 300 MCFPD of casinghead gas.
4. An exception to Statewide Rule 32 through July 31 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 new sour gas gathering system.
 5. An exception to Statewide Rule 32 through July 31 2013 and October 31, 2013, for the subject wells to flare casinghead gas is appropriate.
 - a. For its Roxana Unit Lease, Well No. 1H, Murphy requests to flare 230 MCFPD of casinghead gas.
 - b. For its Saylee South Lease, Well No. 1H, Murphy requests to flare 600 MCFPD of casinghead gas.
 - c. For its Walnut Lease, Well No. 1H, Murphy requests to flare 300 MCFPD of casinghead gas.
 - d. For its Walnut Lease, Well No. 2H, Murphy requests to flare 300 MCFPD of casinghead gas
 - e. For its Craig Lease, Well No. 1H, Murphy requests to flare 300 MCFPD of casinghead gas
 - f. For its Jeffery Lease, Well No. 1H, Murphy requests to flare 170 MCFPD of casinghead gas
 - g. 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 July 31 2013 and October 31, 2013, for the subject wells in the Eagleville (Eagle Ford-1) Field, as requested by Murphy Exploration & Production Co.-USA.

Respectfully submitted,


Andres J. Trevino, P.E.
Technical Examiner


Terry Johnson
Legal Examiner