



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 01-0276284

THE APPLICATION OF MURPHY EXPL. & PROD. CO-USA FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE KONE LEASE, WELL NOS. 1H & 2H IN THE BRISCOE RANCH (EAGLEFORD) FIELD, ATASCOSA, DIMMIT, FRIO, LA SALLE, MAVERICK, MCMULLEN, WEBB, AND ZAVALA COUNTIES, TEXAS

OIL AND GAS DOCKET NO. 01-0276639

THE APPLICATION OF MURPHY EXPL. & PROD. CO-USA FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE TOM UNIT LEASE, WELL NO. 1H IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, ATASCOSA COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0276640

THE APPLICATION OF MURPHY EXPL. & PROD. CO-USA FOR AN EXCEPTION TO 16 TAC §3.32 FOR THE JAMBERS LEASE, WELL NOS. 1H & 2H IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY TEXAS

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Terry Johnson - Legal Examiner

DATE OF HEARINGS: August 03, 2012

APPEARANCES:

APPLICANT:

Kelli Kenney
Eno Peters
Jamee Dahl, Ph. D.
Merlyn Spence
Morgan David
Kathy Hutching

REPRESENTING:

Murphy Expl. & Prod. Co-USA

EXAMINERS' REPORT AND RECOMMENDATION**STATEMENT OF THE CASE**

Murphy Expl. & Prod. Co-USA ("Murphy") requests exceptions to 16 TAC §3.32 to flare casinghead gas from the following wells:

<u>LEASE NAME</u>	<u>WELL NO.</u>	<u>FIELD NAME</u>
Kone	1H & 2H	Briscoe Ranch (Eagleford)
Tom Unit	1H	Eagleville (Eagleford-1)
Jambers	1H & 2H	Eagleville (Eagleford-1)

Notice was provided to offset operators surrounding the above referenced leases. These applications were uncontested and the examiners recommend approval of the applications, as requested by Murphy.

DISCUSSION OF THE EVIDENCE

Title 16, §3.32 of the Texas Administrative Code governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. In the context of the subject application, Murphy is requesting to flare casinghead gas produced from the above listed wells, as provided by 16 TAC §3.32(h).

Specifically, 16 TAC §3.32(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, 16 TAC §3.32(h)(4) provides that exceptions beyond the 180 days shall be granted only in a final order signed by the Commission.

The Kone lease, Well Nos. 1H & 2H were completed in May 2011 and July 2011, respectively, and tested for production potential in November 2011. The twenty-four hour potential tests indicated the Kone No. 1H produced at a rate of 281 BOPD, 211 MCFGPD, and 69 BWPD. The Kone No. 2H produced at a rate of 382 BOPD, 317, MCFGPD, and 111 BWPD. Evidence submitted on behalf of Murphy indicated it received an exception to 16 TAC §3.32 by oil and gas final order 01-0274136, dated March 20, 2012. The final order authorized Murphy to flare up to 800 MCFGPD from the Kone lease, Well No. 1H and up to 700 MCFGPD from the Kone Lease, Well No. 2H. Murphy testified it does not seek to increase the volume flared from the Kone lease, Well Nos. 1H & 2H. Murphy testified it seeks to further extend the flaring exception to October 31, 2012, as that is the date it anticipates the pipeline infrastructure and Kone Gas Facility to be completed.

The Tom Unit lease, Well No. 1H was completed in December 2011 and tested for production potential in March 2012. The twenty-four hour potential test performed on the Tom Unit, Well No. 1H resulted a rate of 375BOPD, 441MCFGPD, and 390 BWPD. Murphy initially obtained an administrative exception to TAC 16 §3.32 for the Tom Unit lease, Well No. 1H, effective February 07, 2012, to flare casinghead gas up to a volume of 350 MCFGPD. Subsequently, Murphy obtained two additional administrative exceptions that ultimately expire on August 08, 2012. Murphy testified that currently the Tom Unit, Well No. 1H is producing hydrocarbons through the production casing without tubing in the wellbore, as the field rules for the Eagleville (Eagleford-1) Field provides an exception to TAC 16 §3.13(b)(5)(A) for wells completed in the field. Murphy further testified that as a consequence of installing tubing in the wellbore, it anticipates the volume of gas encountered at the surface to increase. As a result, Murphy testified it seeks to increase the authorized volume of gas flared in its request to 650 MCFGPD. Murphy testified it is in the process of implementing pipeline infrastructure for the Tom Unit lease, Well No. 1H. Murphy further testified the Tom Unit lease, Well No. 1H will have a temporary separating facility in place at the location of its Well No. 1H later this year and requests the exception until December 31, 2012.

Lastly, the Jambers lease, Well Nos. 1H & 2H were completed in December 2011 and tested for production potential in January 2012. The twenty-four hour potential tests indicated the Jambers No. 1H produced at a rate of 356 BOPD, 250MCFGPD, and 132 BWPD. The Jambers No. 2H produced at a rate of 389 BOPD, 207, MCFGPD, and 217 BWPD. Murphy submitted evidence that depicts the Jambers Well Nos. 1 & 2 received administrative authority to flare 350 MCFGPD from each well, effective December 21, 2011. Murphy testified it does not seek to increase the volume flared from the Jambers lease, Well Nos. 1H & 2H, as received administratively. Murphy further testified it is in the process of designing and constructing the surface facility used for collecting and separating hydrocarbons on the Jambers lease and in the interim, seeks to further extend the flaring exception to October 31, 2012, as that is the date it anticipates construction for the temporary surface facility to be completed.

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 Kone Lease Well Nos. 1H & 2H were completed in May 2011 and July 2011, respectively, and tested for production potential in November 2011.
3. The twenty-four hour production potential tests indicated the Kone No. 1H produced at a rate of 281 BOPD, 211 MCFGPD, and 69 BWPD and the Kone No. 2H produced at a rate of 382 BOPD, 317, MCFGPD, and 111 BWPD.
4. The final order for Oil & Gas Docket Number 01-0274136 granted an exception to flare casinghead gas from the Kone Lease Well Nos. 1H & 2H beyond the 180 day administrative exception provided in 16 TAC §3.32.

5. The Tom Unit lease, Well No. 1H was completed in December 2011 and tested for production potential in March 2012..
6. The twenty-four hour potential test performed on the Tom Unit, Well No. 1H resulted in a rate of 375BOPD, 441MCFGPD, and 390 BWPD
3. Murphy obtained an administrative exception to 16 TAC, §3.32 for the Y-Bar Lease, Well No. 1H, effective September 07, 2011, to flare casinghead gas up to a volume of 170 MCFGPD that ultimately expired on April 13, 2012.
6. An exception to TAC 16 §3.32 for the Tyler Lease, Well No. 1H from November through September 2012 is appropriate.
9. An exception to TAC 16 §3.32 for the Y-Bar Lease, Well No. 1H through August 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 16 TAC, §3.32 will not harm correlative rights and will promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to 16 TAC §3.32 for the Tyler Lease, Well No. 1H (API No. 42-311-34510) and the Y-Bar Lease, Well No. 1H (API No. 42-311-34297) in the Eagleville (Eagle Ford-1) Field, as requested by Murphy Expl. & Prod. Co. - USA.

Respectfully submitted,


Brian K. Farcher, P.G.
Technical Examiner


MARSHALL ENQUIST
Legal Examiner