



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0279067

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO.-USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE 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
 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 Kone lease Well Nos. 1H and 2H in the Briscoe Ranch (Eagleford) Field.

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 November 27, 2012, as provided by Statewide Rule 32(h).

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 Statewide Rule 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. A second exception to Statewide Rule 32 by oil and gas final order 01-0276284, dated August 21, 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 through October 31, 2012. Murphy testified that the wells are no longer flaring gas as they have been hooked up to permanent facilities as of November 27, 2012. Murphy requests an exception to Statewide Rule 32 to flare casinghead gas produced from the subject wells from October 31, 2012 through November 27, 2012.

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 Briscoe Ranch (Eagleford) Field, in Dimmit County, Texas.
 - a. This area of the Briscoe Ranch (Eagleford) Field lacks existing oil and gas infra-structure for new gas production.
 - b. 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.
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 permits for the Kone lease, Well Nos. 1H & 2H which totaled the maximum 180 days allowed by an administrative permit.
 - b. Murphy received an exception to Statewide Rule 32 by oil and gas final order 01-0274136, dated March 20, 2012 authorizing 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 through May 31, 2012.
 - c. Murphy received a second exception to Statewide Rule 32 by oil and gas final order 01-0276284, dated August 21, 2012, authorizing 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 through October 31, 2012.
4. The Kone lease, Well Nos. 1H & 2H are no longer flaring gas as they have been hooked up to permanent facilities as of November 27, 2012.
 5. An exception to Statewide Rule 32 through November 27, 2012, for the subject wells will give Murphy authority to flare gas from October 31, 2012 till the date the Kone 1H and 2H wells were hooked up to the completed permanent gas gathering system.
 6. An exception to Statewide Rule 32 through November 27, 2012, for the subject wells to flare casinghead gas is appropriate.
 - a. Murphy requests 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.
 - c. An operator is considered compliant with Statewide Rule 32 provided they had requested a hearing anytime prior to the administratively granted authority expires. Murphy has requested a hearing for each of the subject wells before each wells' flare gas authority 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 November 27, 2012, for the subject wells in the Briscoe Ranch (Eagleford) Field, as requested by Murphy Exploration & Production Co.-USA.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Terry Johnson
Legal Examiner