



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0279817

THE APPLICATION OF TALISMAN ENERGY USA, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE POWERS LEASE, WELL NOS. A 1H, A 2H, B 1H AND B 2H, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0279821

THE APPLICATION OF TALISMAN ENERGY USA, INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE Y BAR RANCH LEASE, WELL NOS. D 1H AND D 2H, EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Brian Fancher - Technical Examiner
Terry Johnson - Legal Examiner

DATE OF HEARING: January 28, 2013

REPORT PREPARED BY: Paul Dubois - Technical Examiner

APPEARANCES: REPRESENTING:

APPLICANT:

James M. Clark, P.E. Talisman Energy USA, Inc.
Ender Barillas
Eric Jensen

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Talisman Energy USA, Inc. (Talisman) requests an exception to Statewide Rule 32 to flare a combined 3,000 MCF/D of casinghead gas from the Powers Lease Well Nos. A 1H (API No. 311-34660), A 2H (API No. 311-34697), B 1H (API No. 311-34728), B 2H (API No. 311-34709), and the Y Bar Ranch Lease Well Nos. D 1H (API No. 311-34760) and D

2H (API No. 311-34761), Eagleville (Eagle Ford-1) Field, McMullen County, Texas. The exceptions will provide time for Talisman to construct treatment facilities for the gas.

Notice was provided to offset operators surrounding the above referenced leases. The application is unopposed and the examiners recommend approval of exceptions to Statewide Rule 32 for the Powers Lease and Y Bar Ranch Lease wells, as requested by Talisman.

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 subject applications, Talisman is requesting to flare gas produced by the subject wells, as provided in Statewide Rule 32(h).

The subject wells are completed in the Eagleville (Eagle Ford-1) Field, located in McMullen County, Texas. The wells are located approximately 2 miles north of the town of Tilden, Texas. The area is experiencing rapid resource development and currently lacks infrastructure capacity for new production. Specifically, the subject wells produce sour gas with H₂S concentrations ranging from 10 to 150 ppm. The nearest natural gas sales pipeline requires that the gas be less than 4 ppm H₂S and 7 lbs/MMCF H₂O. Natural gas produced from the Talisman wells therefore requires treatment prior to sales.

At the time of the hearing, Talisman had designed and was building a treatment plant located in the vicinity of the subject wells and adjacent to the Y Bar Lease. The Y Bar Central Delivery Plant (CDP) was designed to treat up to 35 MMCF/D of natural gas containing up to 200ppm H₂S. The Y Bar CDP is located adjacent to the sales pipeline. This facility has expandable capacity to serve continued development in the Eagleville (Eagle Ford-1) field. Talisman's Rule 32 exception request was intended to provide adequate time for the construction of the Y Bar CDP, bridging the expiration of the administrative flaring permits to plant construction and well connection.

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. Talisman applied for and received administrative permits to flare casinghead gas from the subject wells for a total of 180 days each. Talisman received the following administrative permits for the six wells:

Well	Permit	MCF/D	Issued	Expired
Powers Lease, Well No. A 1H	11138	400	02/25/12	02/26/13
Powers Lease, Well No. A 2H	11337	400	02/25/12	12/27/12
Powers Lease, Well No. B 1H	11335	425	04/28/12	02/11/13
Powers Lease, Well No. B 2H	11336	400	04/28/12	02/11/13
Y Bar Ranch Lease, Well No. D 1H	12018	400	09/01/12	03/03/13
Y Bar Ranch Lease, Well No. D 2H	12017	400	09/01/12	03/03/13

The flare permits for all of the wells were extended until the maximum 180 days. The dates listed above indicate that the Powers Lease wells had significantly longer permit periods than 180 days. In these cases, the 'Issued' and 'Expired' dates represent the dates of initial and final exception. Talisman provided information to support that the wells were shut in during part of this time, and had communicated similar information when seeking the administrative permits.

On December 10, 2012, Talisman requested hearings to obtain flaring authority from the Commission by Final Order until June 30, 2013, to allow time for the construction of the Y Bar CDL. The hearings were requested before any of the administrative exceptions had expired. Since the hearing on January 28, 2013, the Y Bar CDP was built and its capacity is being expanded. Addition of another compressor is expected by the end of July 2013. Two of the subject wells are currently connected to the CDP, two are shut in pending plant expansion and compressor installation, and two will continue to flare until the plant expansion is complete, which is estimated to be by July 31, 2013.

The status of each Powers Lease well as of July 16, 2013 is as follows:

- Powers No. A 1H
 - Requested flaring authority for 400 MCF/D at hearing on January 28, 2013
 - Connected to Y Bar CDP on May 21, 2013
 - 2,462 MSCF flared from February 26, 2013 through May 20, 2013 (an average flare rate of 29 MSCF/D for 84 days)
 - Not expected to flare again
- Powers No. A 2H
 - Requested flaring authority for 400 MCF/D at hearing on January 28, 2013
 - Connected to Y Bar CDP on May 21, 2013
 - 29,419 MSCF flared from December 28, 2012 through May 20, 2013 (an average flare rate of 204 MSCF/D for 144 days)
 - Not expected to flare again

- Powers No. B 1H
 - Requested flaring authority for 400 MCF/D at hearing on January 28, 2013
 - Shut in on May 5, 2013 pending Y Bar CDP capacity increase and connection
 - 8,894 MSCF flared from February 11, 2013 through May 3, 2013 at (average flare rate of 109 MSCF/D for 82 days)
 - Not expected to flare again

- Powers No. B 2H
 - Requested flaring authority for 400 MCF/D at hearing on January 28, 2013
 - Shut in on June 6, 2013 pending Y Bar CDP capacity increase and connection
 - 8,841 MSCF flared from February 11, 2013 through June 6, 2013 (an average flare rate of 76 MSCF/D for 116 days)
 - Not expected to flare again.

The two Y Bar Ranch Lease wells were granted administrative flaring permits of 400 MCF/D each on September 1, 2012. However, as a result of mechanical well adjustment and fluid off-loading in December 2012, the gas production rates increased significantly, up to about 1,100 MCF/D each. Production rates have since declined to about 700 MCF/D each by the time of the hearing on January 28, 2013. The status of each Y Bar Ranch Lease well as of July 16, 2013 is as follows:

- Y Bar Ranch No. D 1H
 - Requested flaring authority for 700 MCF/D at hearing on January 28, 2013
 - Request flare permit through August 31, 2013 pending Y Bar CDP capacity increase and connection
 - 25,921 MSCF flared from March 4, 2013 through June 30, 2013 (an average flare rate of 218 MSCF/D for 119 days)
 - Project 18,600 MSCF to be flared from July 1, 2013 through August 31, 2013 (an average flare rate of 300 MSCF/D)

- Y Bar Ranch No. D 2H
 - Requested flaring authority for 700 MCF/D at hearing on January 28, 2013
 - Request flare permit through August 31, 2013 pending Y Bar CDP capacity increase and connection
 - 32,673 MSCF flared from March 4, 2013 through June 30, 2013 (an average flare rate of 275 MSCF/D for 119 days)
 - Project 12,400 MSCF to be flared from July 1, 2013 through August 31, 2013 (an average flare rate of 200 MSCF/D)

FINDINGS OF FACT

1. Proper notice of this hearing was given to all offset operators in the Eagleville (Eagle Ford-1) Field 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, located in McMullen County, Texas.
 - a. The wells are located approximately 2 miles north of the town of Tilden, Texas, in an area of rapid development that lacks existing oil and gas infrastructure for new production.
 - b. At the time of well completion, there were no available natural gas sales options for sour gas.
 - c. Talisman has completed initial construction of the Y Bar CDP but is currently expanding capacity, which should be online by July 31, 2013.
3. Talisman obtained administrative flare permits for the six wells as follows:
 - a. Powers Lease, Well No. A 1H, permit no. 11138 to flare up to 400 MCF/D from 02/25/12 to 02/26/13.
 - b. Powers Lease, Well No. A 2H, permit no. 11337 to flare up to 400 MCF/D from 02/25/12 to 12/27/12.
 - c. Powers Lease, Well No. B 1H, permit no. 11335 to flare up to 425 MCF/D from 04/28/12 to 02/11/13.
 - d. Powers Lease, Well No. B 2H, permit no. 11336 to flare up to 400 MCF/D from 04/28/12 to 02/11/13.
 - e. Y Bar Ranch Lease, Well No. D 1H, permit no. 12018 to flare up to 400 MCF/D from 09/01/12 to 03/03/13.
 - f. Y Bar Ranch Lease, Well No. D 2H, permit no. 12017 to flare up to 400 MCF/D from 09/01/12 to 03/03/13.

4. 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.
5. Mechanical adjustments to Y Bar Ranch Lease, Well Nos. D 1H and D 2H resulted in significantly increased gas production, exceeding the rates specified in the respective administrative permits.
6. Exceptions to Statewide Rule 32 to flare casinghead gas are appropriate and will allow Talisman sufficient time to construct and connect the Y Bar Lease CDP to the subject wells as follows:
 - a. Up to 400 MCF/D for the Powers Lease, Well No. A 1H, from February 26, 2013 through June 30, 2013;
 - b. Up to 400 MCF/D for the Powers Lease, Well No. A 1, from December 27, 2012 through June 30, 2013;
 - c. Up to 400 MCF/D for the Powers Lease, Well No. B 1H, from February 11, 2013 through June 30, 2013;
 - d. Up to 400 MCF/D for the Powers Lease, Well No. B 2H, from February 11, 2013 through June 30, 2013;
 - e. Up to 700 MCF/D for the Y Bar Ranch Lease, Well No. D 1H, from January 28, 2013 through August 31, 2013;
 - f. Up to 700 MCF/D for the Y Bar Ranch Lease, Well No. D 2H, from January 28, 2013 through August 31, 2013;

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 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 the subject wells, as requested by Talisman Energy USA, Inc.

Respectfully submitted,



Paul Dubois
Technical Examiner



Terry Johnson
Legal Examiner