



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0281355

THE APPLICATION OF TALISMAN ENERGY USA INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE POWERS LEASE, WELL NOS. L1H, L3H, AND L5H IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 01-0281356

THE APPLICATION OF TALISMAN ENERGY USA INC. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE AERY GAS UNIT 1 LEASE, WELL NO. 1 AND AERY B LEASE, WELL NO. 1H, IN THE EAGLEVILLE (EAGLE FORD-1) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
 Laura Miles-Valdez- Legal Examiner

DATE OF HEARING: April 11, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark, P.E.

Talisman Energy USA Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Talisman Energy USA Inc. ("Talisman") requests an exception to Statewide Rule 32 to flare casinghead gas from two flare points located at two well pads. The wells connected to the flare points and seek the Statewide Rule 32 exceptions include:

<u>LEASE NAME</u>	<u>WELL NOS.</u>	<u>FIELD NAME</u>
Powers L Flare Point		
Powers (15776)	L1H, L3H, L5H	Eagleville (Eagleford-1)
Aery Flare Point		
Aery(15836)	1, B1H, D2H, D3H	Eagleville (Eagleford-1)
Y Bar Ranch(15837)	1, E1H, E2H, E3H, E4H	Eagleville (Eagleford-1)
Bracken (15838)	1, E1H, E2H	Eagleville (Eagleford-1)

Notice was provided to offset operators surrounding the above referenced leases. These applications are unprotested and the examiners recommend approval of the applications, as requested by Talisman.

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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, Talisman is requesting to flare casinghead gas produced from the subject wells through June 30, 2013, as provided by Statewide Rule 32(h).

The subject wells in these applications are completed in the Eagleville (Eagle Ford-1) Field, in McMullen County, Texas. The wells are located approximately 3 miles north and northeast of the town of Tilden, Texas. This area of the Eagleville (Eagle Ford-1) Field lacks existing oil and gas infra-structure for new gas production. The produced casinghead gas from area wells contain hydrogen sulfide gas and moisture that must be treated and removed before sending it to area sales pipelines. The Y-Bar CDP (Compression, Dehydration Plant) Facility has been built to treat the produced gas before entering the Enterprise sales pipeline. The Enterprise pipeline specification for the gas is 4 ppm of H₂S and 7 lbs H₂O/ MMCFG. The untreated casinghead gas that will be treated at the Y-Bar CDP Facility will come to the facility with a H₂S concentration of approximately 120 ppm.

Talisman received administrative Permit No. 13176 to flare 150 MCFPD of casinghead gas from its Powers Lease, Well No. L1H, L3H and L5H. The permit was

effective September 22, 2012, and expires on April 27, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Talisman requests to flare 965 MCFPD of casinghead gas as additional wells have been added to the Powers Flare Point.

Talisman received administrative Permit No. 13175 to flare 1,400 MCFPD of casinghead gas from its Aery Lease, Well Nos. 1 and B1H, Y Bar Ranch Lease, Well No. 1, Bracken Lease, Well No. 1. The permit was effective November 22, 2012, and expires on May 3, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Talisman requests to flare 6,300 MCFPD of casinghead gas as additional wells have been added to the Aery Flare Point.

Talisman requests an exception to Statewide Rule 32 to flare casinghead gas produced from the subject wells from the date the permits expire through June 30, 2013 for wells on the Powers, Aery, Y Bar Ranch and Bracken Leases. The wells on the leases are awaiting for operational issues to be resolved for the Y-Bar CDP Facility and will need until June 30 2013 for a permanent hook up to be 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. Talisman has requested a hearing for each of the subject wells before each wells' flare gas permits 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 these applications are completed in the Eagleville (Eagle Ford-1) Field, in McMullen County, Texas.
 - a. Talisman operates two flare points identified as the Powers Flare Point and the Aery Flare Point.
 - b. The two flare points flare gas from multiple leases and wells.
 - b. The produced casinghead gas from area wells contain hydrogen sulfide gas and moisture that must be treated and removed before sending it to area sales pipelines.
 - c. The Y-Bar CDP (Compression, Dehydration Plant) Facility has been completed but has had numerous operational difficulties and is not ready to accept the produced casinghead gas.
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. Talisman received administrative Flare Permit No. 13176 to flare 150 MCFPD of casinghead gas from its Powers, Well Nos. L1H, L3H, and L5H. The permit was effective September 22, 2012, and expired on April 27, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Talisman requests to flare 965 MCFPD of casinghead gas.
 - b. Talisman received administrative Flare Permit No. 13175 to flare 1,400 MCFPD of casinghead gas from its Aery Lease, Well Nos. 1 and B1H, Y Bar Ranch Lease, Well No. 1, Bracken Lease, Well No. 1. The permit was effective November 1, 2012, and expires on May 3, 2013, after two extensions, which totaled the maximum 180 days allowed by an administrative permit. Talisman requests to flare 6,300 MCFPD of casinghead gas.
4. An exception to Statewide Rule 32 through June 30 2013 for the subject wells will give Talisman time to resolve ongoing operational issues with the Y-Bar CDP Facility.
 5. An exception to Statewide Rule 32 through June 30 2013 for the subject wells to flare casinghead gas is appropriate.
 - a. For its Powers Flare Point, Flare Permit No. 13176, Talisman requests to flare 965 MCFPD of casinghead gas.
 - b. For its Aery Flare Point, Flare Permit No. 13175, Talisman requests to flare 6,300 MCFPD of casinghead gas.
 - c. An operator is considered compliant with Statewide Rule 32 provided they had requested a hearing anytime prior to the administratively granted permit expires. Talisman 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.

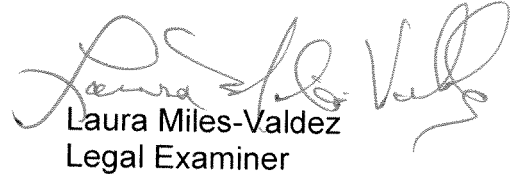
EXAMINERS' RECOMMENDATION

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 June 30 2013, for the subject wells in the Eagleville (Eagle Ford-1) Field, as requested by Talisman Energy USA Inc.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Laura Miles-Valdez
Legal Examiner