

OIL AND GAS DOCKET NO. 02-0271345

THE APPLICATION OF MURPHY EXPL. & PROD. CO. - USA TO ADOPT TEMPORARY FIELD RULE NOS. 5 AND 6 FOR THE EAGLEVILLE (EAGLE FORD-2) FIELD, DE WITT AND KARNES COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: July 21, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

John McBeath
Tom Weber

Murphy Expl. & Prod. Co. - USA

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Murphy Expl. & Prod. Co. - USA ("Murphy") requests that Temporary Field Rules for the Eagleville (Eagle Ford-2) Field be adopted to allow a six month exception to Statewide Rule 13(b)(5)(a), which requires producing a flowing oil well through tubing, for all wells in the Eagleville (Eagle Ford-2) Field. Murphy also requests a six month exception to Statewide Rule 51(a) regarding a waiver of the 10 day rule for the filing of paperwork related to the completing of oil wells in the field. No other field rule changes are proposed for the field.

Murphy had requested that all exceptions be granted administratively without paying filing fees. Currently, exceptions are not granted administratively, therefore the Commission has no mechanism to collect fees. The examiner proposed language in the Field Rules that would allow the Commission to collect fees in the future, should the Commission began collecting fees for Rule 13(b)(5)(a) and Rule 51(a) exceptions. Murphy did not consider the proposed language adverse. The application was unopposed and the examiner recommends approval of the application.

DISCUSSION OF EVIDENCE

The Eagleville (Eagle Ford-2) Field was created in November 2010 with the consolidation of several Eagle Ford Fields. The average depth of the field is 10,300 feet and there are 28 producing oil wells and four operators carried on the proration schedule. Murphy has an additional 20 oil wells that are permitted or drilling has commenced.

Cumulative production from the field through June 2011 is 1.4 MMBO and 1.5 BCFG.

The Eagleville (Eagle Ford-2) Field is under going rapid development, which has caused a shortage of equipment and crews to perform necessary workovers to install tubing in flowing oil wells. Statewide Rule 13(b)(5)(a) requires flowing oil wells to be produced through tubing. Currently, the rule does not allow for exceptions. Without an exception to this rule, flowing oil wells will be required to be shut in until a workover crew can install tubing. Tubing is not run in until after the horizontal well has been fracture stimulated and cleaned out. The fracture stimulation requires high volumes of proppant, frac fluid and high pressures that exceed a typical tubing's burst strength. During the clean out period, drilled out composite plugs and frac fluid is flowed back. Oil and gas is often not recovered for days or weeks. Waiting times for workover crews to install tubing vary depending on the size of the operator. Large operators with many wells to drill will secure crews and equipment and keep them on call and are more available to run in tubing. Smaller operators depend on the vendor's schedule and may have to wait for months before crews and equipment become available.

Operators fear shutting a well in may permanently damage the well's completion, as frac fluid will remain in the reservoir and may negatively impact the long term production characteristics of the wells. Wellhead control will be maintained as a "frac tree" is typically kept on the well until tubing is run in the well. A six month exception is needed, as typically, new oil wells have high initial rates of production, followed by a steep decline. In addition, Murphy submitted a production data graph on four of its wells that showed the wells perform better on restricted choke sizes, resulting in longer flowback periods to clean up.

Murphy also requests that an oil well be granted administratively a six month exception to the provisions of Statewide Rule 51(a) regarding the 10 day rule for filing the potential test. This will allow for the backdating of allowables on the oil wells without requiring a waiver to be secured from all field operators. This rule will grant the Commission the authority to issue an allowable back to the initial completion date for all oil wells in the field, to prevent unnecessary shut-ins to alleviate potential overproduction issues related to the completion paperwork filings and producing the oil wells without tubing. The proposed exceptions to Statewide Rule 13(b)(5)(a) and Statewide Rule 51(a) will allow operators of flowing oil wells in this field the flexibility to set a packer and tubing and file completion paperwork, without penalties, once the pressure and production rates have declined. Commission staff in the Field Operations Section have no issues with approving the proposed rules.

FINDINGS OF FACT

1. Notice of the hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Eagleville (Eagle Ford-2) Field was created in November 2010 with the

consolidation of several Eagle Ford Fields. The average depth of the field is 10,300 feet and there are 28 producing oil wells and four operators carried on the proration schedule.

3. Murphy has an additional 20 oil wells that are permitted or drilling has commenced.
4. The Eagle Ford has areas that produce oil, wet gas and dry gas. Horizontal drilling is expanding rapidly in the oil sections of the Eagle Ford.
5. The rapid expansion of drilling is causing a shortage of equipment and crews to perform necessary workovers to install tubing in flowing oil wells.
6. Tubing installation can not occur until after the well has been fracture stimulated and the composite plug debris has been flowed back.
 - a. Frac treatment requires high volumes of fluid and proppant that cannot be done down tubing.
 - b. Frac treatment requires high pressures that tubing can not accommodate, as the pressures required exceed the tubing's burst pressure.
7. Statewide Rule 13(b)(5)(a) requires flowing oil wells to be produced through tubing. Currently, the rule does not allow for exceptions.
8. Statewide Rule 13(b)(5)(a) does not require flowing gas wells to be produced through tubing.
9. Without an exception to this rule, flowing oil wells will be required to be shut-in until a workover crew can install tubing.
10. Wells perform better on restricted choke sizes, resulting in longer flowback periods to clean up.
11. A six month exception is needed as typically, new oil wells have high initial rates of production, followed by a steep decline. Additional time is needed to schedule workover rigs and crews during the current high demand environment.
12. Shutting-in oil wells to make up overproduction is not necessary to prevent waste. The gas wells produce under AOF status.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Adopting Field Rule Nos. 5 and 6 for the Eagleville (Eagle Ford-2) Field will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission adopt Field Rule Nos. 5 and 6 for the Eagleville (Eagle Ford-2) Field, as proposed by Murphy Expl. & Prod. Co. - USA.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner