



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 01-0294582**

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**THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO. – USA  
FOR AN EXCEPTION TO STATEWIDE RULE 32, Y-BAR WEST LEASE, WELL  
NO. 1H, Y-BAR WEST UNIT A, WELL NO. 1H, MCADA LEASE, WELL NO. 1H,  
AND WHEELER UNIT, WELL NO. 1H, EAGLEVILLE (EAGLE FORD-1) FIELD,  
ATASCOSA AND LA SALLE COUNTIES, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Richard Eyster – Technical Examiner  
Marshall Enquist – Hearings Examiner

**HEARING DATE:** January 30, 2015

**CONFERENCE DATE:** March 24, 2015

**APPEARANCES:**

Kelli Kenney  
Frank Garcia  
Chris Vergona  
Brent Sonnier  
Matt Sharrock  
Nicole Holloway

**REPRESENTING:**

Murphy Exploration & Production Co. – USA

### **EXAMINER'S REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Pursuant to Statewide Rule 32 (16 Tex. Admin. Code §3.32), Murphy Exploration & Production Co. – USA (Murphy) seeks authorization to flare gas from four wells on four leases in the Eagleville (Eagle Ford-1) Field, Atascosa and La Salle Counties, Texas. The four wells have received administrative permits to flare gas for the maximum 180 days. Murphy seeks a Commission final order providing additional authority to flare gas for causes specific to each lease. The application was not protested. The Examiners recommend Murphy's requested be granted.

### DISCUSSION OF EVIDENCE

Murphy is developing its oil and gas interests in the Eagleville (Eagle Ford-1) Field in Atascosa and La Salle Counties. The field is experiencing continued rapid growth. In some circumstances the gas marketing infrastructure—gathering pipelines, processing facilities, and sales points—do not exist or do not have sufficient capacity for new production. Other operational circumstances, such as inadequate treatment facilities, also causes operators to seek authority to flare gas. Statewide Rule 32 allows an operator to obtain authority to flare gas when necessary, but the administrative exceptions are limited to a maximum of 180 days. In this case, two of subject wells require additional time to flare gas to allow for additional infrastructure to be built to relieve the operational constraints; for the other two wells it is not economical to build such facilities for the limited amount of gas produced. The circumstances of each well and Murphy's requests for flaring authority are summarized below.

#### **McAda Lease, Well No. 1H**

Murphy's McAda Unit (Lease No. 17824), Well No. 1H (API No. 42-013-34977) is located 2.8 miles north of Campbellton, in Atascosa County. The well was completed on July 11, 2014. On 24-hour initial potential testing the well produced 325 barrels of oil and 144 thousand cubic feet (MCF) gas. The well received authorization (Permit No. 18509) to flare 175 MCF gas from July 22, 2014, through January 18, 2015, for a period of 180 days. On December 5, 2014, Murphy requested a hearing to extend the authorization to flare gas.

The McAda Unit is not contiguous with other Murphy property. There is currently one well on the unit. To market the gas produced from the McAda 1H well, Murphy would need to build a one-mile pipeline to connect to its Herbst-May Unit, from which the gas would be transported to the Tom Central Facility. Murphy believes the construction of this pipeline would not be economical. The McAda 1H well is currently producing about 90 MCF gas per day. At the completion of pipeline construction, Murphy anticipates the well to have declined to about 55 MCF per day. The cost of the one-mile pipeline is estimated to be about \$1 million. Murphy expects such a project will generate a loss of \$644,500 over 19.5 years.

Therefore, Murphy seeks authority to flare 125 MCF gas per day from January 18, 2015, through December 31, 2015, by which time Murphy anticipates that the gas production from the well will have declined below 50 MCF per day.

#### **Wheeler Unit, Well No. 1H**

Murphy's Wheeler Unit (Lease No. 17916), Well No. 1H (API No. 42-013-35036) is located 6.8 miles northwest of Charlotte, in Atascosa County. The well was completed on

July 31, 2014. On 24-hour initial potential testing the well produced 542 barrels of oil and 404 MCF gas. The well received authorization (Permit No. 18985) to flare 180 MCF gas from August 13, 2014, through February 9, 2015, for a period of 180 days. On December 5, 2014, Murphy requested a hearing to extend the authorization to flare gas.

To market the gas from the Wheeler Unit Well No. 1H, Murphy must construct a pipeline connecting the well and another nearby well to a Regency Field Services transmission line that is proposed for the area. The gathering line would be about 3.4 miles long and cost \$1.8 million. Murphy believes the construction of this pipeline would not be economical. The Wheeler 1H well is currently producing about 90 to 100 MCF gas per day. At the completion of pipeline construction, Murphy anticipates the well to have declined to about 56 MCF per day. Murphy expects such a project will generate a loss of \$1,093,000 over 26 years.

Therefore, Murphy seeks authority to flare 125 MCF gas per day from February 10, 2015, through August 31, 2016, by which time Murphy anticipates that the gas production from the well will have declined below 50 MCF per day.

#### **Y-Bar West Lease, Well No. 1H, and**

Murphy's Y-Bar West Lease, Well No. 1H (API No. 42-283-34661) is located about 4.6 miles north of Fullerton, in La Salle County. The well was completed on June 25, 2014. On initial potential testing the Y-Bar West No. 1H well produced 310 barrels of oil and 190 MCF gas. The Y-Bar West No. 1H well received authorization (Permit No. 18508) to flare 300 MCF gas from July 8, 2014, through January 4, 2015, for a period of 180 days. On December 5, 2014, Murphy requested a hearing to extend the authorization to flare gas from the well.

Wells on Murphy's Y-Bar West Lease are connected by a gathering line to its Y-Bar Central Facility. When the well was completed the gathering line and Central Facility was at capacity and could not accept the additional gas produced from the 1H well. The wellhead pressure was less than 400 pounds per square inch (psi), which would not flow against a flowing pressure of 300 psi. Murphy will use artificial lift to produce the well and tie it into the Central Facility in February, 2015. Murphy has also expanded the Central Facility capacity from 3 million cubic feet (MCF) per day to 8 MCF per day. Therefore, Murphy seeks authority to flare 225 MCF gas per day from January 5, 2015, through April 30, 2015.

#### **Y-Bar West Unit A, Well No. 1H**

Murphy's Y-Bar West Unit A Lease, Well No. 1H (API No. 42-283-34660) is located about 4.6 miles north of Fullerton, in La Salle County. The well was completed on June 25, 2014. On initial potential testing the Y-Bar West Unit No. 1H well produced 606 barrels

of oil and 1,289 MCF gas. The Y-Bar West Unit No. 1H well received authorization (Permit No. 18591) to flare 675 MCF gas from July 8, 2014, through January 4, 2015, for a period of 180 days. On December 5, 2014, Murphy requested a hearing to extend the authorization to flare gas from the well.

The capacity constraints identified for the Y-Bar West Well No. 1H also apply to the Y-Bar West Unit A Well No. 1H. But, the Y-Bar West Unit 1H also produces sour gas, which requires treatment. The well produced 500 parts per million (p.m.) hydrogen sulfide (H<sub>2</sub>S) on initial completion. One month later the H<sub>2</sub>S concentration increased to 2,800 p.m., and by October, 2014, it had increased to 5,000 p.m. Murphy is upgrading the Central Facility to include sour gas treatment. These upgrades should be complete by December 31, 2015. Therefore, Murphy seeks authority to flare 600 MCF gas per day from January 5, 2015, through December 31, 2015.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. On December 5, 2014, Murphy requested a hearing to extend the authorization to flare gas for the subject wells.
3. Murphy's McAda Unit (Lease No. 17824), Well No. 1H (API No. 42-013-34977) was completed on July 11, 2014 and on initial potential testing produced 325 barrels of oil and 144 thousand cubic feet (MCF) gas.
  - a. The well received authorization (Permit No. 18509) to flare 175 MCF gas from July 22, 2014, through January 18, 2015, for a period of 180 days.
  - b. To market the gas produced from the McAda 1H well, Murphy would need to build a one-mile pipeline to connect to its Herbst-May Unit, from which the gas would be transported to the Tom Central Facility.
  - c. The McAda 1H well is currently producing about 90 MCF gas per day.
  - d. The pipeline will generate a loss of \$644,500 over 19.5 years.
  - e. Authority to flare 125 MCF gas per day from January 18, 2015, through December 31, 2015, will allow Murphy to continue to produce oil from the well.
4. Murphy's Wheeler Unit (Lease No. 17916), Well No. 1H (API No. 42-013-

35036) was completed on July 31, 2014 and on initial potential testing produced 542 barrels of oil and 404 MCF gas.

- a. The well received authorization (Permit No. 18985) to flare 180 MCF gas from August 13, 2014, through February 9, 2015, for a period of 180 days.
  - b. To market the gas from the Wheeler Unit Well No. 1H, Murphy must construct a 3.4 mile pipeline connecting the well and another nearby well to a Regency Field Services transmission line that is proposed for the area.
  - c. The Wheeler 1H well is currently producing about 90 to 100 MCF gas per day.
  - d. The pipeline will generate a loss of \$1,093,000 over 26 years.
  - e. Authority to flare 125 MCF gas per day from February 10, 2015, through August 31, 2016, will allow Murphy to continue to produce oil from the well.
5. Murphy's Y-Bar West Lease, Well No. 1H (API No. 42-283-34661) was completed on June 25, 2014, and on initial potential testing produced 310 barrels of oil and 190 MCF gas.
- a. The Y-Bar West No. 1H well received authorization (Permit No. 18508) to flare 300 MCF gas from July 8, 2014, through January 4, 2015, for a period of 180 days.
  - b. When the well was completed the gathering line and Central Facility was at capacity and could not accept the additional gas produced from the 1H well.
  - c. Murphy has expanded the Central Facility capacity from 3 million cubic feet (MCF) per day to 8 MCF per day.
  - d. Authority to flare 225 MCF gas per day from January 5, 2015, through April 30, 2015, will allow Murphy to continue to produce oil from the well while the Y-Bar Central Facility capacity is increased.
6. Murphy's Y-Bar West Unit A Lease, Well No. 1H (API No. 42-283-34660) was completed on June 25, 2014, and on initial potential testing produced 606 barrels of oil and 1,289 MCF gas.

- a. The Y-Bar West Unit A No. 1H well received authorization (Permit No. 18591) to flare 675 MCF gas from July 8, 2014, through January 4, 2015, for a period of 180 days.
- b. When the well was completed the gathering line and Central Facility was at capacity and could not accept the additional gas produced from the 1H well.
- c. The Y-Bar West Unit A No. 1H also produces sour gas, which requires treatment. The well produced 500 parts per million (p.m.) hydrogen sulfide (H<sub>2</sub>S) on initial completion. One month later the H<sub>2</sub>S concentration increased to 2,800 p.m., and by October, 2014, it had increased to 5,000 p.m.
- d. Murphy is upgrading the Central Facility to include sour gas treatment. These upgrades should be complete by December 31, 2015.
- e. Authority to flare 600 MCF gas per day from January 5, 2015, through December 31, 2015, will allow Murphy to continue to produce oil from the well until facility upgrades are completed.

#### **CONCLUSIONS OF LAW**

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. The requested exceptions to flare casing head gas from the subject wells meet the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

#### **RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend exceptions to Statewide Rule 32 for the subject wells be granted as requested by Murphy.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Marshall Encased  
Hearings Examiner