



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0298791

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE PEELER NE UNIT A, WELL NO.1H AND THE PEELER NE UNIT B, WELL NO.1H, EAGLEVILLE (EAGLE FORD -1) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: January 29, 2016

CONFERENCE DATE: March 08, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Murphy Exploration & Production CO.

Kelli Kenny
Chris Vergona
Brent Sonnier
Francisco Garcia

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Murphy Exploration & Production CO. (Murphy) requests an exception to Statewide Rule 32 to flare gas for the Peeler NE Unit A, Well No.1H, and the Peeler NE Unit B, Well No.1H, Eagleville (Eagle Ford-1) Field, Atascosa County, Texas.

All persons entitled to notice received notice of the hearing. The matter is not protested.

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 application, Murphy is requesting to flare casinghead gas produced from the

Peeler NE Unit A Well No.1H, (API No. 42-013-35192) and the Peeler NE Unit B, Well No.1H, (API No. 42-013-35194), Eagleville (Eagle Ford-1) Field in Atascosa County Texas, as provided in Statewide Rule 32(h).

Murphy is requesting an exception to flare 75 mcf/d from the Peeler NE Unit A, 1H Well for a period of one year from November 4, 2015 through November 4, 2016. The H2S concentration level for this well is 16, 400 ppm.

Murphy is requesting an exception to flare 100 mcf/d from the Peeler NE Unit B, 1H Well for a period of one year from October 23, 2015 through October 23, 2016. The H2S concentration level for this well is 17,450 ppm.

The two wells are located on the same site and there are currently gas pipelines in the vicinity of the two wells. Murphy has identified the closest sales point and determined the economics required to connect these wells. In the economic analysis, Murphy used the most optimistic scenarios for each well, which would be a straight line distance to connect the wells to the pipeline.

The current gas production for the Peeler NE Unit A, 1H Well is 35 MCFPD. Cumulative production to date has been 31 MMCFG, and Murphy estimates that the remaining gas to be recovered from the well is 138 MMCFG. The casinghead gas

Current gas production from the Peeler NE Unit B, 1H Well is 39 MCFPD and cumulative gas production to date is 34.0 MMCFG, with an estimated 141 MMCFG remaining to be recovered. The remaining casinghead gas total from both wells is 279 MMCF equating to an estimated revenue of \$1.5 million. The estimated cost to run 4.5 miles of line to connect the two Peeler NE wells Well to the nearest gas pipeline is \$2.1 million.

However, the capital investment of \$2.1 million for 4.5 miles of pipe line needed to connect the two wells would result in a net loss of \$684,700. As a result, the economics are not favorable at this time and without a Final Order from the Commission authorizing the continued flaring of casinghead gas from the Peeler NE Unit A 1H Well and the Peeler NE Unit B 1H Well until it is economical to connect the wells to a pipeline. Without such authority Murphy stated they would have to shut in production from the wells, possibly resulting in waste of hydrocarbon reserves.

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 two subject wells in this application are completed in the Eagleville (Eagle Ford-1) Field, in Atascosa County, Texas.

3. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing prior to the expiration of a Commission granted flare permit order.
4. For the Peeler NE Unit A, 1H Well, Murphy requests to flare a maximum of 75 mcf/d of casinghead gas from November 4, 2015 through November 4, 2017 .
5. For the Peeler NE Unit B, 1H Well, Murphy requests to flare a maximum of 100 mcf/d of casinghead gas from October 23, 2015 through October 23, 2017.
6. An exception to Statewide Rule 32 for the Peeler NE Unit A1H Well, and the Peeler NE Unit B, 1H Well is appropriate


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 the Commission approve an exception to Statewide Rule 32 to flare a maximum volume of 75 mcf/d of casinghead gas from the Peeler NE Unit A, Well No. 1H from November 4, 2015 through November 4, 2017, and approve a maximum volume of 100 mcf/d of casinghead gas from October 23, 2015 through October 23, 2017 for the Peeler NE Unit B, 1H Well, as requested by Murphy Exploration & Production Co. USA,

Respectfully submitted,


Richard Eyster, P.G.
Technical Examiner


Ryan Lammert
Administrative Law Judge