



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0302212

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

OIL & GAS DOCKET NO. 01-0302213

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO. FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR 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: December 19, 2016

CONFERENCE DATE: January 24, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Murphy Exploration & Production CO.

Kelli Kenny

Nathan Bishop

Brent Sonnier

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 at a rate of 100 mcf/d for a period of one year.

All persons entitled to notice received notice of the hearing. The matter is not protested. The Technical Examiner and the Administrative Law Judge (collectively the Examiners) recommend that the application be approved.

DISCUSSION OF THE EVIDENCE

16 TAC §3.32(h) provides that an exception to flare casinghead gas in volumes greater than 50 MCFGD may be granted administratively for a period up to 180 days. Furthermore, flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Statewide Rule 32 contains no notice of application requirements.

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) at a rate of 100 mcf/d for one year.

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 remaining casinghead gas total from both wells is 239 MMCF. The estimated cost to run 4.5 miles of line to connect the two Peeler NE wells 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 \$2.048 million. 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.

Therefore, Murphy is requesting an exception to flare 100 mcf/d from the Peeler NE Unit A, 1H Well for a period of one year from November 4, 2016 through November 4, 2017. Murphy is also 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, 2016 through October 23, 2017.

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 the hearing.
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. Murphy was authorized by final order No. 01-0298791 to flare a maximum volume of 100 MCF per day of casinghead gas from the Peeler NE Unit A, Well No. 1H, from November 4, 2015 through November 4, 2016 and 100 MCF per day of casinghead gas from the Peeler NE Unit B Well No. 1H from October 23, 2015 through October 23, 2016.
5. On October 14, 2016 Murphy requested a hearing to extend its flaring authority pursuant to Statewide Rule 32 for the Peeler NE Unit A, Well No. 1H, and the Peeler NE Unit B Well No. 1H.
6. Murphy is requesting an exception to flare 100 mcf/d from the Peeler NE Unit A, 1H Well for a period of one year from November 4, 2016 through November 4, 2017.
7. Murphy is also 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, 2016 through October 23, 2017.
8. Murphy stated that the capital expenditure and monthly expense to install and operate is greater than the return on investment.
9. An exception to Statewide Rule 32 to flare casinghead gas will allow Murphy to continue to produce oil from the Peeler NE Unit A, Well No. 1H and the Peeler NE Unit B Well No. 1H.

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. All notice requirements have been satisfied.
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 100 mcf/d of casinghead gas from the Peeler NE Unit A, Well No. 1H from November 4, 2016 through November 4, 2017, and approve a maximum volume of 100 mcf/d of casinghead gas from October 23, 2016 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