



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0302334

THE APPLICATION OF MURPHY EXPLORATION & PRODUCTION CO. - USA FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR FLARE GAS PERMIT FOR THE LSWT LEASE (RRC # 17897), WELL NO. 1H, INDIO TANKS (PEARSALL) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

SUBMITTED BY: Peggy Laird, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: November 29, 2016

CONFERENCE DATE: August 1, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Kelli Kenney
Nathan Bishop
Brent G. Sonnier
Butch Bennett

Murphy Exploration & Production Co. - USA

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Murphy Exploration & Production Co. – USA ("Murphy") seeks an exception to Statewide Rule 32 (16 Tex. Admin. Code §3.32) to flare gas from the LSWT Lease, Well No. 1H, Indio Tanks (Pearsall) Field, Atascosa County, Texas. All offset operators in the subject field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exception to Statewide 32.

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 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

On February 24, 2015, Murphy was granted authority by Final Order 01-0292680 to flare up to 240 MCF per day (MCFD) of casinghead gas from the LSWT Lease, Well No. 1H, which expired on April 2, 2016. Due to an administrative oversight, Murphy's request for a hearing to renew the flaring authority was received on October 28, 2016. Murphy is requesting authority to flare up to 180 MCFD from April 3, 2016 through March 31, 2018. The Examiners clarified that renewal for flaring authority may be considered from the time the application was received, October 28, 2016, through March 31, 2018. Murphy stated they would not find this recommendation to be adverse.

Murphy's need to flare remains similar as previously reported (Oil and Gas Docket No. 01-0292680). Murphy indicated that there are no facilities on the LSWT Lease, and construction of a pipeline would be required to connect the LSWT Lease, Well No. 1H to the nearest pipeline, which is about two miles away. The two miles of pipeline construction and the costs to capture the gas are estimated to be \$980,000. Net revenue from the sale of gas and compression expenses is estimated to generate a loss of \$926,000 over the life of the well. Therefore, Murphy determined that the project economics are not favorable at this time to connect the LSWT Lease, Well No. 1H to the nearest pipeline.

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. There were no protests to the application.
2. The LSWT Lease, Well No. 1H, is located in the Indio Tanks (Pearsall) Field, Atascosa County, Texas.
3. On February 24, 2015, Murphy was granted authority by Final Order 01-0292680 to flare up to 240 MCF per day (MCFD) of casinghead gas from the LSWT Lease, Well No. 1H, which expired on April 3, 2016.
4. The LSWT Lease, Well No. 1H is not connected to a pipeline and the nearest pipeline is about two miles away.
5. As estimated, the project economics are not favorable at this time to connect the LSWT Lease, Well No. 1H to the nearest pipeline.
6. Murphy is requesting authority to flare up to 180 MCFD from October 28, 2016 through March 31, 2018.

CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32
3. The requested exception to flare casinghead gas meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

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 for the LSWT Lease, Well No. 1H for up to 180 MCFD from October 28, 2016 through March 31, 2018, as requested by Murphy Exploration & Production Co. – USA.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Jennifer Cook
Administrative Law Judge