



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0306347

THE APPLICATION OF EXCO OPERATING COMPANY, LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CALVERT RANCH FRO LEASE, CENTRAL FACILITY, BRISCOE RANCH (EAGLEFORD) FIELD, FRIO COUNTY, TEXAS

HEARD BY: Peggy A. Laird, P.G. - Technical Examiner
Jennifer N. Cook - Administrative Law Judge

HEARING DATE: October 18, 2017

CONFERENCE DATE: December 5, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller

EXCO Operating Company, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EXCO Operating Company, LP ("EXCO") requests a two-year exception to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) to flare up to 1,000 MCF of casinghead gas per day ("MCFD") from the Calvert Ranch FRO Lease (01-17100) (the "Lease"), Central Facility, in the Briscoe Ranch (Eagleford) Field, Frio County, Texas. Notice was provided to all offset operators in the Briscoe Ranch (Eagleford) Field. No objections were filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge ("Examiners") recommend approval of the exception requested by EXCO.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. EXCO seeks relief in the captioned docket pursuant to Statewide Rule 32(f)(2)(D), as follows:

The commission or the commission's delegate may administratively grant or renew an exception to the requirements of limitations of this subsection subject to the requirements of subsection (h)... if the operator of a well or production facility presents information to show the necessity for the release...

Statewide Rule 32(h)(4) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

Because EXCO requests an exception for more than 180 days and to flare more than 50 mcf of casinghead gas per day, the procedure to address EXCO's request for an exception is through a hearing resulting in a final order signed by the Commission.

EXCO previously received administrative authority (Permit No. 18195) for the Lease, Central Facility for a total of 180 days, with an expiration date of September 22, 2014. EXCO then received a one-year extension of the permitted flaring authority (Final Order No. 01-0291835 issued on January 27, 2015), which expired on September 23, 2015. Next, a two-year extension of the permitted flaring authority was granted (Final Order No. 01-0298161 issued on March 29, 2016) with an expiration date of September 23, 2017. EXCO is currently requesting another two-year extension of the exception to Statewide Rule 32 effective September 24, 2017 through September 23, 2019.

Currently five wells are connected to the Lease, Central Facility and an average of 160 MCFD gas is being flared. EXCO plans to drill five new wells on the Lease in the near future and they will all be connected to the Central Facility as well. EXCO is requesting an increased permitted flare volume of up to 1,000 MCFD to ensure the new wells are in compliance with Statewide Rule 32. EXCO reported that rapid decline in gas production from these wells is expected. The anticipated need to flare up to 1,000 MCFD will occur for a very short period. However, EXCO wants to make sure they are following requirements, and considers that increasing the permitted flare volume will avoid the need for another hearing within this two-year permit.

The closest pipeline that EXCO can connect to because of dedicated acreage is the Williams MLP Operating, L.L.C. line, which is 6.2 miles from the Lease, Central Facility. The cost to connect to this pipeline is estimated to be \$6,735,880, and EXCO re-evaluated the economics with the additional wells that they are planning to drill. The net ultimate gas revenue from the remaining reserves for the existing and proposed wells is estimated to be \$2,732,730. Based on these results, EXCO considers that constructing a pipeline to connect the Lease, Central Facility is uneconomical.

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 hearing was not protested.
3. EXCO previously received administrative authority (Permit No. 18195) for the Lease, Central Facility for a total of 180 days, with an expiration date of September 22, 2014.
4. EXCO received a one-year extension of the permitted flaring authority (Final Order No. 01-0291835 issued on January 27, 2015), which expired on September 23, 2015.
5. EXCO received a two-year extension of the permitted flaring authority (Final Order No. 01-0298161 issued on March 29, 2016) with an expiration date of September 23, 2017.
6. EXCO plans to drill five additional wells on the Lease in near future and they will all be connected to the same Central Facility.

7. EXCO determined that current market conditions deem it uneconomical to construct a pipeline connecting the Central Facility to the Williams MLP Operating, L.L.C. pipeline.
8. EXCO is requesting an additional two-year extension of Permit No. 18195 from September 24, 2017 through September 23, 2019, to flare up to 1,000 MCFD casinghead gas from the Calvert Ranch FRO Lease (01-17100), Central Facility in the Briscoe Ranch (Eagleford) Field, Frio County, Texas.
9. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

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. All notice requirements have been satisfied. 16 Tex. Admin. Code §§ 1.42.
3. The requested authority to flare casinghead gas satisfies the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32 (h).
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on December 5, 2017.

EXAMINER'S RECOMMENDATION

The Examiners recommend approval of the application of EXCO Operating Company, LP. for an exception to Statewide Rule 32 for the Calvert Ranch FRO Lease (01-17100), Central Facility, in the Briscoe Ranch (Eagleford) Field, Frio County, Texas.

Respectfully submitted,



Peggy A. Laird, P. G.
Technical Examiner



Jennifer N. Cook
Administrative Law Judge