



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0287828

THE APPLICATION OF EXCO OPERATING COMPANY, LP FOR AN EXCEPTION TO STATEWIDE RULE 32, TIDWELL EAST ZAV LEASE, WELL NOS. A 1H, A 3H, D 1H, AND D 3H, BRISCOE RANCH (EAGLE FORD) FIELD, ZAVALA COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Terry Johnson – Hearings Examiner

HEARING DATE: May 14, 2014

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale Miller

Exco Operating Company, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Exco Operating Company, LP (Exco) is requesting an exception to Statewide Rule 32 to flare gas from its Tidwell East Zav Lease, Well Nos. A 1H, A 3H, D 1H, and D 3H, in Briscoe Ranch (Eagle Ford) Field, Zavala County, Texas. All offset operators in the field were notified of the hearing. The application is not protested. The examiners recommend that the exception be approved for a period of two years as requested by Exco.

DISCUSSION OF THE EVIDENCE

Exco's Tidwell East Zav Lease is located about 12 to 13 miles southeast from Batesville. The four subject horizontal wells were completed in March and April 2013 and produce from the Eagle Ford Formation at a depth of about 6,200 feet. Initial potential tests indicated 24-hour production rates of 491 to 678 bbl oil, and 113 to 175 MCF gas. Exco stated that its current plans include 22 more wells on the Tidwell East Zav and adjacent leases, but considers this number to be fluid.

Exco obtained administrative permits to flare gas from the subject wells. There are two flare points being considered under this application. Well nos. A 1H and A 3H use a shared flare on the common well pad. The A wells were granted administrative flare permit no. 14449 on September 30, 2013 to flare 20 MCF per day of casing head gas. The permit has been extended for the maximum 180 days allowed by Statewide Rule 32. The flare permit expired on March 31, 2014. On March 7, 2014, more than 21 days before the administrative permit expired, Exco requested a hearing to extend the authority.

Similarly, well nos. D 1H and D 3H share a flare on their common well pad. The D wells were granted administrative flare permit no. 14448 on September 27, 2013 to flare 60 MCF per day of casing head gas. The permit has been extended for the maximum 180 days allowed by Statewide Rule 32. The flare permit expired on March 28, 2014. On March 7, 2014, 21 days before the administrative permit expired, Exco requested a hearing to extend the authority.

The Briscoe Ranch (Eagle Ford) Field area is experiencing rapid development. Well completion is outpacing gas pipeline construction. The A 1H and A 3H wells are located about 12,000 feet from the existing Access MLP Operating gas transmission line, and the D 1H and D 3H wells are located about 15,000 feet from it. Exco has contracted with Access MLP Operating to purchase gas produced from the subject wells. Exco will build a gathering system connecting into the Access MLP sales point. This system will also handle gas from the additional wells Exco plans to drill. The gathering line will be 3.5 miles long and connect the D wells with the A wells and continue on to the existing Access MLP gas transmission line. Construction is expected to start in August 2014. Exco is requesting extended authority to flare gas for an additional two years to provide time for pipeline construction. Exco estimates that the pipeline will cost more than \$3.5 million.

To accommodate its existing flaring needs as well as the anticipated wells that will require flaring before the pipeline facilities are complete, Exco is requesting authority to flare 100 MCF per day from the flare point serving the A group wells, and 150 MCF per day from the flare point serving the D group wells.

FINDINGS OF FACT

1. Proper notice of this hearing was given. For each well all offset operators in the appropriate field were notified at least ten days prior to the date of hearing. There were no protests to the application.
2. Exco's Tidwell East Zav Lease is located about 12 to 13 miles southeast from Batesville.

- a. The four subject horizontal wells were completed in March and April 2013 and produce from the Eagle Ford Formation at a depth of about 6,200 feet.
 - b. Initial potential tests indicated 24-hour production rates of 491 to 678 bbl oil, and 113 to 175 MCF gas.
 - c. Exco stated that its current plans include 22 more wells on the Tidwell East Zav and adjacent leases, but considers this number to be fluid.
3. The Briscoe Ranch (Eagle Ford) Field development area has a lack of infrastructure, particularly for gas gathering, processing and transmission.
 4. Exco was granted administrative permit nos. 14448 and 14449 to flare gas from the subject wells for 180 days.
 5. The nearest pipeline that can accommodate gas from the well is located more than 12,000 feet from the A group wells and 15,000 feet from the D group wells. Constructing a 3.5 mile pipeline will cost \$3.5 million.
 6. Construction of the pipeline will begin in August 2014.
 7. Exco requests continued authority to flare gas from the subject wells, and from other wells in the area as they are completed, from the two flare points for a period of two years. The flaring authority will allow Exco to continue to produce oil from these four wells, and to continue developing their acreage in the area, while the pipeline facilities are built.

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 exception to Statewide Rule 32 to flare 100 MCF per day from the A group wells and 150 MCF per day from the D group wells will not harm correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant the exception to Statewide Rule 32 for the subject wells, as requested by Exco.

Respectfully submitted,



Paul Dubois
Technical Examiner



Terry Johnson
Hearings Examiner