



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0298161

THE APPLICATION OF EXCO OPERATING COMPANY, LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE CALVERT RANCH FRO (17100-01) LEASE, CENTRAL FACILITY, BRISCOE RANCH (EAGLE FORD) FIELD, FRIO COUNTY, TEXAS

HEARD BY: Peggy A. Laird, P.G. – Technical Examiner
Ryan Lammert - Administrative Law Judge

HEARING DATE: October 30, 2015

CONFERENCE DATE: March 29, 2016

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 a maximum of 300 thousand cubic feet (MCF) of casinghead gas per day (MCFD) from the Calvert Ranch FRO (17100-01) Lease (the "Lease"), Central Facility in the Briscoe Ranch (Eagleford) Field, Frio County, Texas. All offset operators in the field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Examiners recommend approval of an exception to Statewide Rule 32 to flare 300 MCFD casinghead gas for a period of two years as requested by EXCO.

DISCUSSION OF THE EVIDENCE

Title 16, §3.32 of the Texas Administrative Code ("TAC") governs this Application as it relates to the utilization of gas well gas and casinghead gas produced by oil and gas

wells under the jurisdiction of the Railroad Commission. Specifically, 16 TAC §3.32(h) provides that an exception to flare casinghead gas in volumes greater than 50 MCFD may be granted administratively for a period up to 180 days. Flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. In the context of the subject application, EXCO is requesting an exception to flare casinghead gas produced from the subject lease as provided by Statewide Rule 32(h).

EXCO received Permit No. 18195, for the Lease, Central Facility effective March 26, 2014, expiring September 22, 2014, for a total of 180 days, the maximum length of time an exception to Statewide Rule 32 may be granted administratively. EXCO then received a one-year exception to Statewide Rule 32 effective September 23, 2014, expiring September 23, 2015, (Final Order No. 01-0291835). EXCO is requesting a two-year extension of the exception to Statewide Rule 32 effective September 23, 2015, to September 23, 2017.

EXCO reported they are obligated to connect to Access MLP Operating, L.L.C. pipeline, which is 6.2 miles from the Lease. EXCO estimates the cost to connect to this pipeline to be \$6,735,880 while net gas sales from remaining reserves are estimated to be \$761,883, and net gas revenue from remaining reserves is estimated to be \$552,365. These estimates were based on a gas price of \$4.50/MCF, and as of the date of the hearing the gas price was \$2.50/MCF. EXCO indicated that after connecting to the pipeline, either gas price will result in a substantial loss of revenue estimated to be greater than \$6,000,000. Therefore, EXCO considers constructing a pipeline to connect the Lease to Access to be uneconomical.

FINDINGS OF FACT

1. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. There were no protests to the application.
2. Calvert Ranch FRO (17100-01) Lease, Central Facility is located in the Briscoe Ranch (Eagleford) Field, Frio County, Texas.
3. EXCO received Permit No. 18195, for the Calvert Ranch FRO (17100-01) Lease, Central Facility effective March 26, 2014, expiring September 22, 2014, for a total of 180 days, the maximum length of time an exception to Statewide Rule 32 may be granted administratively.
4. EXCO received a one-year exception to Statewide Rule 32 to flare 300 MCFD effective September 23, 2014, expiring September 23, 2015, (Final Order No. 01-0291835).

5. EXCO determined that current market conditions deem it uneconomical to construct a pipeline from the Calvert Ranch FRO (17100-01) Lease, Central Facility to connect to Access.
6. EXCO is requesting a two-year extension of the exception to Statewide Rule 32 to flare 300 MCFD casinghead gas from the Calvert Ranch FRO (17100-01) Lease, Central Facility in the Briscoe Ranch (Eagleford) Field, Frio County, Texas.

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 300 MCFD 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 subject wells, as requested by EXCO Operating Company, LP.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Ryan Lammert
Administrative Law Judge

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 01-0298161**

**IN THE BRISCOE RANCH
(EAGLEFORD) FIELD, FRIO COUNTY,
TEXAS**

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

The Commission finds that after statutory notice in the above-numbered docket heard on October 30, 2015, the presiding Examiners have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the Examiners' report and proposal for decision, the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that EXCO Operating Company, LP is hereby granted an exception to Statewide Rule 32 for the Calvert Ranch FRO (17100-01) Lease, Central Facility in the Briscoe Ranch (Eagleford) Field, Frio County, Texas. EXCO Operating Company, LP is authorized to flare up to 300 MCF of gas per day, from the Calvert Ranch FRO (17100-01) Lease, Central Facility from September 23, 2015, through September 23, 2017. The authority is granted, provided all production is reported on the appropriate Commission forms.

The operator shall file the Statewide Rule 32 Exception Data Sheet and, shall file at the same time, the appropriate Commission required administrative Statewide Rule 32 Exception gas flaring fee.

Done this 29th day of March, 2016.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated March 29, 2016)**