



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0300124

THE APPLICATION OF EXCO OPERATING COMPANY, LP FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE HENRY HOLDSWORTH UNIT ZAV (18561), WELL NO. 1HB, PEARSALL (BUDA, S.) FIELD, ZAVALA COUNTY, TEXAS.

HEARD BY: Paul Dubois – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: June 3, 2016

CONFERENCE DATE: September 27, 2016

APPEARANCES:

Dale Miller

EXCO Operating Company, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EXCO Operating Company, LP ("EXCO") requests an exception to Statewide Rule 32 (16 Tex. Admin. Code § 3.32) to flare gas from its Henry Holdsworth Unit ZAV Lease (No. 18561), Well No. 1HB (API No. 42-507-33248), completed in the Pearsall (Buda, S.) Field in Zavala County, Texas. EXCO requests authority to flare up to 100 thousand cubic feet (mcf) of gas per day from the well. EXCO provided evidence to demonstrate that installing hydrogen sulfide treatment facilities and constructing a pipeline connection to sell the gas would not be economical. The application was not protested. The Examiners recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

EXCO requests an exception to flare gas from its Henry Holdsworth Unit ZAV Lease, Well No. 1HB, completed in the Pearsall (Buda, S.) field in Zavala County, Texas. Generally, 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 hydrocarbon 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 completed its Henry Holdsworth Unit ZAV Lease Well No. 1HB on September 23, 2015. The well was completed in the Pearsall (Buda, S.) field at a depth of 6,626 feet. On initial potential testing the horizontal well produced 241 barrels of oil, 182 thousand cubic feet (mcf) gas, and 48 barrels of water. The produced gas contains 604 parts per million (ppm) of hydrogen sulfide. Gas production has since declined to about 90 mcf per day. About 10 percent of the gas is used on lease, and the remainder is flared.

The Commission granted administrative authority (Permit No. 24263) to flare up to 400 mcf gas per day from September 29, 2015, through March 27, 2016. EXCO's stated reason for the need to flare gas was that a pipeline connection was not available. On March 31, 2016, EXCO requested a hearing to extend the flaring authority.

The nearest sales point is about 1.6 miles to the east and would require the construction of a pipeline. Commission records indicate a pipeline permit has been granted for a much closer sales point, but that pipeline has never been built. EXCO estimates the cost to construct a 1.6 mile pipeline to be more than \$1.8 million. Further, the remaining gas would only generate revenue of about \$50,000. EXCO concludes that the project would be uneconomical and would result in a loss of more than \$1.7 million. EXCO requests authority to flare up to 100 mcf gas per day for a period of two years. This exception will allow EXCO to continue to produce hydrocarbon liquids from the well.

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. EXCO completed its Henry Holdsworth Unit ZAV Lease Well No. 1HB on September 23, 2015.
 - a. The well was completed in the Pearsall (Buda, S.) Field at a depth of 6,626 feet.

- b. On initial potential testing the horizontal well produced 241 barrels of oil, 182 thousand cubic feet (mcf) gas, and 48 barrels of water.
 - c. The produced gas contains 604 parts per million (ppm) of hydrogen sulfide. Gas production has since declined to about 90 mcf per day.
 - d. About 10 percent of the gas is used on lease, and the remainder is flared.
3. The Commission granted administrative authority to flare up to 400 mcf gas per day from September 29, 2015, through March 27, 2016.
 4. On March 31, 2016, EXCO requested a hearing to extend the flaring authority.
 5. The nearest sales point is about 1.6 miles to the east and would require the construction of a pipeline.
 6. EXCO estimates the cost to construct a 1.6 mile pipeline to be more than \$1.8 million, but the remaining gas would only generate revenue of about \$50,000 and would therefore be uneconomical and would result in a loss of more than \$1.7 million.
 7. Authority to flare up to 100 mcf gas per day for a period of two years will allow EXCO to continue to produce hydrocarbon liquids from the well.

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. 16 Tex. Admin. Code §§ 1.43 and 1.45
3. EXCO has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding EXCO's requested authority to flare gas produced from the subject well.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of EXCO Operating Company, LP to flare up to 100 mcf gas per day from its Henry Holdsworth Unit ZAV Lease, Well No. IHB, from March 31, 2016 through March 30, 2018.



Paul Dubois
Technical Examiner

Respectfully submitted,



Ryan Lammert
Administrative Law Judge