



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0287731

THE APPLICATION OF EXCO OPERATING COMPANY, LP FOR AN EXCEPTION TO STATEWIDE RULE 32, WILSON TRACTS DIM A LEASE, WELL NO. 1H, BRISCOE RANCH (EAGLE FORD) FIELD, DIMMIT 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 a permanent exception to Statewide Rule 32 to flare gas from its Wilson Tracts Dim A Lease, Well No. 1H, in the Briscoe Ranch (Eagle Ford) Field, Dimmit County, Texas. All offset operators in the field were notified of the hearing. The application is not protested. At the hearing the examiners informed Exco's representative that a two-year exception would be recommended; a permanent exception would not be recommended. Exco's representative indicated that this would not be considered adverse.

DISCUSSION OF THE EVIDENCE

Exco's Wilson Tracts Dim A Lease (No. 16193) is located about 4.7 miles northwest of Asherton. The 1H horizontal well was completed by Chesapeake Operating, Inc., in February 2013 and produces from the Eagle Ford Formation at a depth of about 6,100 feet. Initial potential tests indicated 24-hour production rate of 330 bbl oil, and 558 MCF

gas. There is one well on the 631-acre lease. Exco does not plan to drill another well on the lease. The area around the Wilson Tracts Dim A lease is generally not as intensely developed as other areas in the Eagle Ford play, which is reflected by the current production rates reserve estimates of this well. In February 2014 the well produced 302 bbl oil and 2.3 MMCF gas. Exco estimates the remaining reserves of gas to be about 15.4 MMCF.

There are two potential pipeline options to sell gas produced from the well. About 700 feet south of the surface location is a Texas Pipeline LLC line. However, this pipeline maintains a high operating pressure. To connect to this pipeline, Exco would have to build compression facilities, which it considers to be uneconomical for the limited amount of gas produced from the one well. The second option is an Access MLP Operating, LLC, gas gathering line about 5,700 feet south of the surface location. The Access MLP pipeline does not operate under high pressure. However, it is located more than a mile to the south, and Exco believes the costs of constructing a pipeline connection to be economically prohibitive.

Exco estimates connecting the well to the Access MLP pipeline will result in negative total revenue of more than \$1.4 million. Extending the flaring authority for 185 MCF gas per day for a period of two years will allow Exco to continue to produce and sell oil from this well, thus preventing the waste of oil.

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 Wilson Tracts Dim A Lease (No. 16193) is located about 4.7 miles northwest of Asherton.
 - a. The 1H horizontal well was completed by Chesapeake Operating, Inc., in February 2013 and produces from the Eagle Ford Formation at a depth of about 6,100 feet.
 - b. Initial potential tests indicated 24-hour production rate of 330 bbl oil, and 558 MCF gas.
 - c. In February 2014 the well produced 302 bbl oil and 2.3 MMCF gas.
 - d. Exco estimates the remaining reserves of gas to be about 15.4 MMCF.

3. There is one well on the 631-acre lease. Exco does not plan to drill another well on the lease.
4. The Briscoe Ranch (Eagle Ford) Field development area has a lack of infrastructure, particularly for gas gathering, processing and transmission.
5. Exco was granted administrative permit no. 14447 to flare gas from the subject well for 180 days.
6. The nearest pipeline that can accommodate gas from the well is located more than 5,700 feet from the well. Constructing a pipeline to sell the remaining gas will result in a net revenue of negative \$1.4 million.
7. Exco requests continued authority to flare 185 MCF gas per day from the subject well for a period of two years. The flaring authority will allow Exco to continue to produce oil from the well.

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 185MCF per day from the Wilson Tracts Dim A Lease Well No. 1H 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 well, as requested by Exco.

Respectfully submitted,



Paul Dubois
Technical Examiner



Terry Johnson
Hearings Examiner