

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCFPD per well may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions 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 Calvert Ranch FRO Central Facility Lease (Lease ID No. 01-17100) 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 requested a hearing for an exception to Statewide Rule 32 as EXCO considers constructing a pipeline to connect the subject lease to the nearest sour gas pipeline to be uneconomic.

The closest pipeline that EXCO can connect to is the Access MLP Operating, L.L.C line, which is located 6.2 miles from the central facility on the Calvert Ranch FRO 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 \$678,392. As a result, EXCO has deemed the economics unfavorable at this time. EXCO may drill future wells in the area. EXCO would not consider a one year exception as opposed to the requested two-year exception to Statewide Rule 32 to be adverse. The examiners recommend granting a one year exception to Statewide Rule 32 during which time, economics can be re-evaluated as more wells may be drilled within the year.

FINDINGS OF FACT

1. Proper notice of this hearing was given to offset operators at least ten days prior to the date of hearing. There were no protests to the application.
2. Calvert Ranch FRO Lease is located in the Briscoe Ranch (Eagleford) Field, Frio County, Texas.
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