

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0295494

APPLICATION OF SUPREME ENERGY COMPANY, INC. TO SUPERCEDE THE FINAL ORDER IN OIL AND GAS DOCKET NO. 7B-0284006 ISSUED AUGUST 12, 2014 REQUIRING FRONTIER OPERATING CORPORATION (OP. NO. 287189) TO PLUG THE TRUST "BS&F" UNIT LEASE, WELL NO. 1 (LEASE ID# 159748), GATLIN (CADDO) FIELD, SHACKELFORD COUNTY, TEXAS, AND TO APPROVE SUPREME ENERGY COMPANY, INC. AS OPERATOR OF RECORD.

FINAL ORDER

The Commission finds that after statutory notice the above-captioned proceeding was heard by the examiner on June 18, 2015. Having been duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. Supreme Energy Company, Inc. (hereinafter "Supreme") and Frontier Operating Corporation (hereinafter "Frontier") were given at least 10 days notice of this proceeding. Supreme appeared at the scheduled time and place for the hearing through its President Jeff Eckard and Vice president Larry C. Sanders. Frontier did not appear. Supreme has agreed on the record that this Final Order shall be effective as of the date a Master Order relating to this Final Order is signed.
2. Supreme filed its first Commission Form P-5 (Organization Report) with the Commission on February 21, 1992 and filed its most recent Commission Form P-5 on January 30, 2015. Supreme has posted financial assurance with the Commission in the form of a \$50,000 bond which expires July 1, 2016.
3. Frontier was recognized as the operator of the Trust "BS&F" Unit Lease, Well No. 1 (RRC ID No. 159748) (hereinafter "subject lease") after filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective April 1, 2012.
4. In Oil & Gas Docket No. 7B-0284006, Frontier was ordered to plug the Trust "BS&F" Unit Lease, Well No. 1 (RRC ID No. 159748) and pay an administrative penalty of \$13,112.00.
5. Supreme has a valid lease on 142.14 acres of land in the B.S. & F. Survey 1, Shackelford County covering the applied-for well, dated September 26, 2014 and with a primary term of one year.
6. Supreme is currently the Commission-recognized operator of forty-three wells.

7. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 7B-0284006 requiring that the Trust "BS&F" Unit Lease, Well No. 1 (RRC ID No. 159748) be plugged is necessary to prevent waste.
 - (a) The Frye Sand is at 490 to 500 feet deep and the Tannehill Sand is approximately 50 feet deep. The previous production zone under Frontier was at 4,668 feet. Supreme will plug back to the shallower depths.
 - (b) Locally, production from the Frye Sand and the Tannehill Sand is variable. Supreme estimates the well may produce from three to four barrels a day or up to 25 to 30 barrels per day. As these oil sands are very shallow, they are relatively inexpensive to produce.
 - (c) Allowing Supreme to produce the Trust "BS&F" Unit Lease, Well No. 1 (RRC ID No. 159748) will result in the recovery of hydrocarbons that would otherwise not be recovered, thereby preventing waste.
8. The requirement in the Final Order in Oil & Gas Docket No. 7B-0284006 that Frontier pay an administrative penalty of \$13,112.00 will remain in effect.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to the appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Supreme Energy Company, Inc. has a good faith claim of a right to operate the subject lease.
4. Supreme Energy Company, Inc. has filed financial assurance in the type and amount required under Texas Natural Resources Code §91.107 to be approved as the operator of the subject lease.
5. An Order superceding the Final Order entered in Oil & Gas Docket No. 7B-0284006 requiring the plugging of the Trust "BS&F" Unit Lease, Well No. 1 (RRC ID No. 159748), Gatlin (Caddo) Field, Shackelford County, Texas is necessary to prevent waste.
6. Pursuant to §2001.144(a)(4) of the Texas Government Code, and the agreement of the parties, this Final Order is effective when a Master Order relating to this Final Order is signed on July 14, 2015.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 7B-0284006 requiring plugging of the Trust "BS&F" Unit Lease, Well No. 1 (RRC ID No. 159748), Gatlin (Caddo) Field, Shackelford County is hereby superceded. All other provisions of the Final Order shall remain in full force and effect.

It is further **ORDERED** that the Form P-4 (Certificate of Compliance and Transportation Authority) filed by Supreme Energy Company, Inc. to change the operator of the Trust "BS&F" Unit Lease, Well No. 1 (RRC ID No. 159748), Shackelford County, from Frontier Operating Corporation to Supreme Energy Company, Inc. is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on July 14, 2015, when the Master Order relating to this Final Order is signed.

All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 14th day of July, 2015, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division Unprotected Master
Order dated
July 14, 2015)**