



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

PROPOSAL FOR DECISION

OIL AND GAS DOCKET No. 20-0295434

HEARING ON THE APPLICATION OF DYERSDALE ENERGY II, LP FOR UNRESTRICTED RENEWAL OF ITS P-5 AND TO CONTEST THE STAFF DETERMINATION THAT ITS P-5 CANNOT BE RENEWED BECAUSE IT HAS NOT COMPLIED WITH THE INACTIVE WELL REQUIREMENTS OF STATEWIDE RULE 15

APPEARANCES

FOR DYERSDALE ENERGY II, LP

Milan Simic, president, was present but failed to arrange for the services of a court reporter as required by the notice of hearing. No record was created and no appearance was entered.

FOR THE RAILROAD COMMISSION OF TEXAS:

Elaine Moore, Staff Attorney, Enforcement Section, was present but unable to enter an appearance because the applicant failed to arrange for a court reporter.

PROCEDURAL HISTORY

Notice of Hearing:	July 6, 2015
Hearing:	Set for August 3, 2015
Transcript received:	N/A
Proposal for Decision:	September 22, 2015
Heard by:	Terry J. Johnson, Legal Examiner Brian Fancher, Technical Examiner

SUMMARY

Operator challenges staff determination that renewal of its P-5 Organization Report should not be approved due to the operator's failure

to comply with the inactive well requirements of Statewide Rule 15. Despite notice that it was required to arrange for the appearance of a court reporter at hearing, the operator failed to do so. Official notice of Commission records reveals that the applicant is operator of record for multiple wells that fail to comply with the requirements of Statewide Rule 15. It is recommended that the Commission deny renewal of the subject P-5 and order the operator to bring the wells into compliance.

DISCUSSION AND RECOMMENDATION

FAILURE TO PRESENT EVIDENCE

The July 6, 2015 notice of hearing set the case for August 3, 2015 and, pursuant to authority of 16 TEX. ADMIN. CODE §1.129, expressly directed Dyersdale Energy II, LP (Dyersdale) to provide a court reporter at hearing and to pay the cost for preparation of a record of the proceedings.¹ Dyersdale, however, did not provide a court reporter, which prevented the creation of a record in the case. As a result, the parties could neither enter an appearance nor present evidence.²

Milan Simic, president of Dyersdale was present on August 3, 2015, but offered no credible explanation for his failure to obtain a court reporter. Dyersdale was allowed to late-file a written explanation, in which Mr. Simic offered two competing rationales. First, that Mr. Simic thought he had permission to disregard the requirement because he mentioned to Enforcement's attorney, Ms. Moore, that he did not have a court reporter and "didn't get any objections to my intent of not having one."³ Next, Mr. Simic states that he was under the impression that the Commission provided a court reporter. Considering the circumstances, neither of these explanations is believable.

In the Examiners' opinion, Dyersdale's failure to provide a court reporter was neither a mistake nor an accident. Mr. Simic knew, or in the exercise

¹ Appendix 1, Notice of Hearing

² In the Examiners' experience, this is the only time an operator failed to provide the required court reporter.

³ Appendix 2, Dyersdale's late-filed letter of explanation, p. 2

of reasonable judgement should have known, that he was required to provide a court reporter at hearing, yet he intentionally failed to make the necessary arrangements. Mr. Simic also knew that failing to provide a court reporter would result in delay, the outcome he seeks. Accordingly, the Examiners find that Dyersdale has failed to diligently prosecute this matter, which would justify dismissal of the application.⁴ However, rather than recommend dismissal, the Examiners take official notice of Commission records and recommend that the application be denied on the merits.

NON-COMPLIANCE

Texas law expressly conditions renewal of a P-5 Organization Report on an operator's compliance with the requirements of Statewide Rule 15.⁵ Among other things, the rule establishes a one-year deadline for plugging an inactive well. Unless the operator of record obtains an extension of the plugging deadline, it must either re-establish production or plug the well within this one-year period.

Without objection, official notice was taken of Commission records relating to the operator. These reveal Dyersdale is the operator of record for 55 inactive wells that fail to meet the requirements of Rule 15.

It is recommended that the Commission enter an order denying renewal of Dyersdale's P-5.

A list of the wells involved, identifying the compliance shortfall of each, is attached as Appendix 3, which is hereby incorporated by reference for all purposes. The Examiners also incorporate by reference attached Appendix 2, Dyersdale's current P-5, which identifies those who hold a position of ownership or control in the entity.⁶

FINDINGS OF FACT

1. Official notice is taken of relevant Commission records relating to Dyersdale Energy II, LP (Dyersdale).
2. Dyersdale holds Operator Number 237756.

⁴ 16 TEX. ADMIN. CODE § 3.15(g)(5)

⁵ TEX. NAT. RES. CODE § 89.022(c)

⁶ Appendix 4, Dyersdale's Current Organization Report

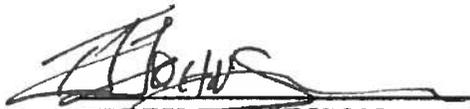
3. Dyersdale is the operator of record for the oil and gas wells identified on attached Appendix 3, which is hereby adopted and incorporated by reference for all purposes.
4. On or about October 21, 2014, the Commission's P-5 Financial Assurance Unit notified Dyersdale that renewal of its P-5 Organization Report would be denied for failure to meet the inactive well requirements of 16 TEX. ADMIN. CODE § 3.15 (Statewide Rule 15). This notice identified the respective deficiencies of the wells at issue.
5. On or about January 5, 2015, the Commission's P-5 Financial Assurance Unit notified Dyersdale that renewal of its P-5 Organization Report would be denied for failure to meet the inactive well requirements of 16 TEX. ADMIN. CODE § 3.15 (Statewide Rule 15). This notice identified the respective deficiencies of the wells at issue and gave Dyersdale a 30-day deadline to request a hearing to challenge the staff non-compliance determination.
6. Dyersdale timely requested a hearing, but failed to provide a court reporter as required by the notice of hearing.
7. Dyersdale's failure to provide a court reporter was not a mistake or an accident, but was for the purpose of delay.
8. Dyersdale has failed to diligently prosecute the instant docket.
9. The oil and gas wells identified on Appendix 3 fail to meet the requirements of Statewide Rule 15 for the reasons stated therein.
10. For purposes of TEX. NAT. RES. CODE § 91.114, at all times relevant hereto Milan Simic is a person who held a position of ownership or control in Dyersdale.

CONCLUSIONS OF LAW

1. Dyersdale Energy II, LP has been provided notice and an opportunity for hearing regarding compliance with TEX. NAT. RES. CODE §§89.021-89.030 and 16 TEX. ADMIN. CODE §3.15.
2. Dyersdale Energy II, LP has failed to comply with the requirements of TEX. NAT. RES. CODE, Chapter 89, Subchapter B-1 and 16 TEX. ADMIN. CODE §3.15.

3. The P-5 Organization Report of Dyersdale Energy II, LP may not be renewed or approved. TEX. NAT. RES. CODE § 89.022.

RESPECTFULLY SUBMITTED on this the 22nd day of September, 2015.



TERRY J. JOHNSON
Legal Hearings Examiner



BRIAN FANCHER
Technical Hearings Examiner

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

Oil and Gas Case/Docket No.	§	THE APPLICATION OF
20-0295434	§	DYERSDALE ENERGY II, L.P.,
	§	FOR UNRESTRICTED RENEWAL OF ITS P-5 AND
	§	TO CONTEST THE STAFF DETERMINATION
	§	THAT THE P-5 CANNOT BE RENEWED DUE TO
	§	NON-COMPLIANCE WITH THE INACTIVE WELL
July 6, 2015	§	REQUIREMENTS OF STATEWIDE RULE 15

NOTICE OF HEARING

Date, Location, and Place of Hearing – Notice is hereby given that a public hearing will be held at 9:00 a.m. on Monday, August 3, 2015, at the offices of the Railroad Commission of Texas, (Commission) located in the William B. Travis State Office Building, at 1701 N. Congress Avenue, Austin, Texas, in a room number to be assigned and posted on the bulletin board in the First Floor Lobby. If the hearing is not concluded on the day it commences, the hearing will be continued from day to day and the location will be announced on the record of this proceeding until concluded.

Purpose of Hearing - to appear and present evidence and consider all issues of fact and law raised in or relevant to the referenced Application. The issues that may be addressed at the hearing include, but are not limited to, the following:

1. The legality and effect of the Applicant's hearing request is referenced in Appendix A of this Notice of Hearing;
2. Any and all other issues raised in the pleadings, evidence, or argument that are necessary for the Commission to render a final decision on the merits of this case, and in regard to Conservation and Prevention of Waste of Crude Petroleum and Natural Gas in the State of Texas.

To Appear in Support or Opposition - All persons or parties supporting or opposing this Application and intending to participate in the hearing by presenting sworn testimony, documentary and demonstrative evidence regarding any issue of law or fact, shall appear in person or by his/her representative, and must complete and file with the Commission, Docket Services, the enclosed "Notice of Intent to Appear at Hearing in Protest" form at least **Five (5) working days** prior to the hearing date in this Notice of Hearing. **THIS FORM IS REQUIRED EVEN IF A PRIOR WRITTEN RESPONSE WAS SUBMITTED TO THE PREVIOUSLY ISSUED "NOTICE OF APPLICATION."** A copy of the Notice of Intent to Appear at Hearing form should be served on the Applicant and any other parties of record. Your failure to appear will not prevent the Commission from taking action on this application. If the Applicant fails to appear at the hearing, the application may be dismissed without further notice or opportunity for hearing.

Appendix 1

Service List - The Applicant shall review this Notice of Hearing and the attached Certificate of Service for accuracy and completeness. The Applicant shall immediately notify the Commission's Docket Services of any discrepancy or omission.

PURSUANT TO 16 TEXAS ADMINISTRATIVE CODE §1.129 the Commission requests that an official transcript of this proceeding be prepared by a CERTIFIED SHORTHAND REPORTER, the cost of which is hereby assigned to Dyersdale Energy II, L.P. It is Dyersdale Energy II, L.P.'s responsibility to arrange for the appearance of the court reporter and to timely pay the cost for preparation of the transcript. Failure to comply may result in dismissal of the hearing for lack of diligence.

TO: Texas Railroad Commission – TRRC examiner
FROM: Dyersdale Energy II, LP (Operator # 237756)
ADDRESS: 11212 Westpark Dr. 510, Houston, TX 77056
SUBJECT: Texas Railroad Commission Hearing on P5 status

Dear Mr. Examiner,

Dyersdale Energy II, LP is Texas limited partnership with one officer and president of the entity, Milan Simic, currently residing at 11212 Westpark Dr. 510, Houston, TX 77042 and Simic Petroleum Inc, as General Partner. Milan Simic is Certified Public Accountant in state of Texas and has been a CPA since 3/31/2008. All the information contained herein has been disclosed while adhering to the highest ethical standards as required by Texas State Board of Public Accountancy.

There are total of 55 wells registered with Texas Railroad Commission under Dyersdale Energy II, LP operator. All leases with exception of CAMP A&B with lease number 07695 (needs H-5 testing on injection well) are transferable to a different operating entity without additional field work required. Leases Bolton, White Frank, Barksdale, Camp E, Frederick B, Holland, Moores wells require W3X filing before they can be transferred to a different entity. This information was disclosed to us while discussing Dyersdale II compliance situation with Sheila Weigand on August 3rd, 2015.

Dyersdale II is subject to loan agreement with Mike Chandler which made an investment into Dyersdale very difficult to accomplish. After meeting with our attorneys, Dyersdale management team was presented with options that would bring the compliance with TRRC standard within short period of time (estimated three months). We plan to accomplish this in the following manner.

- 1) Form a new partnership with new group of investors
- 2) Obtain a new plugging liability guaranty (\$50,000 P5 guaranty) with the same officer (Milan Simic) responsible for execution of compliance program
- 3) Execute W3X documentation within 3 weeks
- 4) Perform testing of the wells and produce them on limited basis

We have a detailed business plan how to execute on these 55 wells program (please refer to documents we submitted to TRRC attorney). Texas Railroad Commission has traditionally utilized taxpayer resources to plug the wells when they were non-compliant. Dyersdale II proposes through our business plan to test the wells at 10% of the cost that is required to plug one well. We also believe that out of 55 wells there will be 10% of the wells that will be profitable even in \$40 price environment. We are disclosing our business plan documents for your review.

Approach to testing East Texas oil field wells

Appendix 2

Test and convert 55 well bores over 11 month period into actual PDNP reserves as approved by Netherland & Sewell reservoir engineering company. With legal and advisory fees of \$50,000 total investment required is 1.067 million.

The key work that needs to be done is to reduce the dollars required to test the wells during 24-36 hour period and be able to tag the bottom and pump the wells and measure the fluid level before, during and after production testing. These results are enough to categorize every well bore into proven behind pipe reserves.

This business proposal envision having 5-6 men crew with single workover rig, tractor to pull butane pump jack on skid unit, 100 barrels salt water truck, two frac tanks and rollo tester to test wells over 48 hour period. We will use 2 3/8 tubing (on average 60 joints) with barrel, tubing pump, on and off tool and j switch. This procedure will allow us to test the wells and justify beside other documentation provided herein why these wells should not be plugged at this time. Given low price environment, it is not economical to pump these wells using permanent fixtures on the leases.

There are at least 400-500 wells that can be tested in East Texas oil field alone and large number of them Texas Railroad Commission does not have a solution. Plugging these wells would cost taxpayers over 15,000,000. Dyersdale II can work with local operators and save taxpayers \$13,500,000 dollars.

Dyersdale II during hearing on August 3rd, 2015 didn't reserve a court reporter due to understanding obtained through discussion with TRRC attorney on July 30th, 2015. I mentioned to the attorney that I didn't have a court reporter and I didn't get any objections to my intent of not having one. I was under impression that a court reporter would be provided by Texas Railroad Commission.

We are asking examiner and commissioner to give Dyersdale II 30 days grace period to restructure organization with new partners and new business plan.

API Number	District	ID Number	Lease Name	Well Number
183 30705	6E	08714	CLAYTON, WM. HRS.	1R
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 81373	6E	06251	WHITE, FRANK	17
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 83685	6E	06861	LODEN, A. R. -C-	5
No approved W-3X on file				
183 83686	6E	06861	LODEN, A. R. -C-	6
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 83688	6E	06861	LODEN, A. R. -C-	10
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 84650	6E	07215	BOLTON	4
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file				
183 85399	6E	07529	FENTON, GEO. E.	1
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 85401	6E	07529	FENTON, GEO. E.	3
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 85404	6E	07529	FENTON, GEO. E.	6
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 85405	6E	07529	FENTON, GEO. E.	7
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 85408	6E	07529	FENTON, GEO. E.	10
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 85409	6E	07529	FENTON, GEO. E.	11
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 85410	6E	07529	FENTON, GEO. E.	12
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
183 85417	6E	07529	FENTON, GEO. E.	19
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				

API Number	District	ID Number	Lease Name	Well Number
183 85510 No approved W-3X on file	6E	07544	HINEMAN, C. E.	1
183 85511 No approved W-3X on file	6E	07544	HINEMAN, C. E.	2
183 85516 No approved W-3X on file	6E	07544	HINEMAN, C. E.	7
183 85520 No approved W-3X on file	6E	07544	HINEMAN, C. E.	11
183 85521 No approved W-3X on file	6E	07544	HINEMAN, C. E.	12
183 85604 No approved W-3X on file	6E	07555	JONES, GEORGE	1
183 85605 No approved W-3X on file	6E	07555	JONES, GEORGE	2
183 85606 No approved W-3X on file	6E	07555	JONES, GEORGE	3
183 85610 No approved W-3X on file	6E	07555	JONES, GEORGE	8
183 87799 Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file	6E	08070	STILL, R. H.	1
401 00969 Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval	6E	06642	CAMP-E	2 R
401 30873 Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file	6E	08648	MOORES, S. H.	1
401 30884 Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval	6E	08648	MOORES, S. H.	3
401 30885 No approved W-3X on file	6E	08648	MOORES, S. H.	2
401 30889 No approved W-3X on file	6E	08648	MOORES, S. H.	5
401 31021 No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval	6E	08513	BARKSDALE	4 R

API Number	District	ID Number	Lease Name	Well Number
401 31022	6E	08513	BARKSDALE	8 R
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 80486	6E	06146	POOL, RAS.	1
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file				
401 81276	6E	06640	CAMP-CC	1
No approved W-3X on file				
401 81277	6E	06640	CAMP-CC	2
No approved W-3X on file				
401 81279	6E	06642	CAMP-E	1
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 82016	6E	06938	DE GUERIN, LULA	2
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 83876	6E	07420	ALFORD-ROBERTS	1
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 83877	6E	07420	ALFORD-ROBERTS	2A
No approved W-3X on file				
401 83903	6E	07435	FREDERICK -B-	1A
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 83904	6E	07435	FREDERICK -B-	3A
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 84466	6E	07695	CAMP A & B	1
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 84467	6E	07695	CAMP A & B	1A
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve UIC H-5 Test issue preventing 14(B)(2) approval				
401 84470	6E	07695	CAMP A & B	4
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				

API Number	District	ID Number	Lease Name	Well Number
401 84897	6E	08031	HOLLAND, W. W.	1
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 84899	6E	08031	HOLLAND, W. W.	4
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 84902	6E	08031	HOLLAND, W. W.	9
No approved W-3X on file				
401 84906	6E	08031	HOLLAND, W. W.	14A
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 85850	6E	08513	BARKSDALE	6
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
401 85853	6E	08513	BARKSDALE	10
Surface equipment must be removed (certify on Form W-3C) No approved W-3X on file				
459 80141	6E	06861	LODEN, A. R. -C-	4
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
459 80142	6E	06861	LODEN, A. R. -C-	7
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
459 80143	6E	06861	LODEN, A. R. -C-	9
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
459 80144	6E	06861	LODEN, A. R. -C-	11
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				
459 80145	6E	06861	LODEN, A. R. -C-	12
No approved W-3X on file Must resolve Field Operations H-15 failure preventing 14(B)(2) approval				

11:03:31 Monday, August 03, 2015

ORMQ

MASTER INQUIRY

P-5 STATUS: ACTIVE-HRG

OPERATOR NUMBER 237756

P-5 REFILEING REQUIRED

ORG NAME DYERSDALE ENERGY II, L.P.

REFILE NOTICE MONTH OCTOBER

ORGANIZATION ADDRESS

LOCATION ADDRESS TEL VERIFY: NO

11212 WESTPARK DRIVE STE 510
HOUSTON TX 77042

SAME AS ORGANIZATION ADDRESS

ORGANIZATION CODE LIMITED PARTNERSHIP
IF OTHER

GATHERER CODE

REF TO OTHER OPR #

PHONE # (281) 799-4315

EMER # (281) 799-4315

DATE BUILT

10/01/2013

REFILE LETTER TYPE

PROPERTY

DATE INACTIVE

REFILE LETTER DATE

07/02/2015

REFILE RECEIVED DATE

LAST P-5 FILED DATE

10/20/2014

SPECIALTY/ACTIVITY CODES:

OPRS/O: 6E

EMAIL ADDR >

ENTER - P-5 INQUIRY MENU PF2 - OFFICER/AGENT INQUIRY PF3 - ADDRESS INQUIRY
PF4 - SCROLL BACKWARD PF6 - OPT-3 COMPL PF7 - SB639 COMPL PF8 - RESTART
PF9 - FINANCIAL ASSURANCE PF10 - P5IWI CLEAR - TERMINATE PROCESSING.
**** REMARKS EXIST FOR THIS ORGANIZATION. HIT PF1 TO GO TO "REMARKS INQUIRY"

11:03:32 Monday, August 03, 2015

OROQ

OFFICER/AGENT INQUIRY SELECTION

OPERATOR NUMBER: 237756 ORGANIZATION NAME: DYERSDALE ENERGY II, L.P.

*** ADDITIONAL OFFICER INFORMATION NOT ON FILE ***

AGENT:

- TITLE:

- TITLE:

- TITLE:

OFFICER:

- SIMIC PETROLEUM, INC.

NON-COMPLIANT: OPT3

- TITLE: GENERAL PARTNER

* PRIMARY *

- SIMIC, MILAN

- TITLE: PRESIDENT/SECRETARY

- TITLE:

PF1=MASTER INQUIRY PF4=RESTART OFFICERS PF5=SCROLL OFFICERS PF7=RESTART AGENTS
PF8=SCROLL AGENTS PF2=REMARKS INQUIRY

Appendix 4

Ex. 1