

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

OIL AND GAS DOCKET NO. 01-0249832

APPLICATION OF M.B. ENERGY, LLC TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER IN OIL & GAS DOCKET NO. 01-0231674 ISSUED FEBRUARY 14, 2003 REQUIRING THE PLUGGING OF THE WEBB, MAX L. B LEASE, WELL NO. 1W, SALT FLAT FIELD, GUADALUPE COUNTY, TEXAS, ENABLING M.B. ENERGY, LLC TO BECOME THE OPERATOR OF RECORD.

FINAL ORDER

The Commission finds that after statutory notice the above-captioned proceeding was heard by the examiner on January 5, 2007. 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. M.B. Energy, LLC (hereinafter "M.B. Energy") and Coastline Resources, Inc. (hereinafter "Coastline") were given at least 10 days notice of this proceeding. M.B. Energy appeared at the scheduled time and place for the hearing through its attorney George Neale, President Don Black, and Site Manager, Doug Barham. The surface owner, TexCom, Inc. appeared through its Vice President of Business Development, Henry L. Schulle. Coastline did not appear. All parties have agreed on the record and in writing that this Final Order shall be effective as of the date a Master Order relating to this Final Order is signed.
2. M.B. Energy filed its first Commission Form P-5 (Organization Report) with the Commission on July 2, 1999, and filed its most recent Commission Form P-5 on July 10, 2006. MNA has posted financial assurance with the Commission in the form of a \$25,000 letter of credit which expires October 1, 2007.
3. Coastline was recognized as the operator of the Webb, Max L. B (07476) Lease (hereinafter "subject lease") after filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective December 1, 1997.
4. In Oil & Gas Docket No. 01-0231674, Coastline was ordered to plug the Webb, Max L. B (07476) Lease, Well No. 1W and pay an administrative penalty of \$2,000, less \$1,000 already paid.
5. The disposal permit for the Webb, Max L. B (07476) Lease, Well No. 1W has been

- rescinded by the Commission. M.B. Energy will seek to renew the permit for the well as a commercial disposal facility.
6. Henry Schulle, Vice President of TexCom, Inc., testified that TexCom is the owner of both the surface and mineral estate in the 14 acres upon which the Webb, Max L. B (07476) Lease, Well No. 1W is located. TexCom will remain the owner of the land and well and M.B. Energy will be their contract operator.
 7. M.B. Energy has operated a commercial disposal well in Chambers County (District 3, Sterling, R.S. (23483) Lease, Moss Bluff Field) since 1999 on a 24 hour basis, seven days a week. The well has disposed of over 9 million barrels of fluids. M.B. Energy is an experienced operator of a commercial disposal facility.
 8. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 01-0231674 that the Webb, Max L. B (07476) Lease, Well No. 1W be plugged is necessary to prevent waste.
 - (a) The subject well was drilled and completed in 1981 as an injection well, Disposal Permit No. 02553. The well was re-completed in 1991 as a saltwater disposal well.
 - (b) Commission disposal records for the subject well from 1983 to 1997 show that it disposed of 1.7 million barrels of injected fluids, demonstrating that the well readily accepts injected fluids.
 - (c) A Commission District Office inspection report dated December 15, 2005, shows that the subject well passed an H-5 Mechanical Integrity Test. A Form H-5 report dated December 21, 2005 was submitted to the Commission and accepted.
 - (d) The well is approximately three miles south of Luling, Guadalupe County, and is readily accessible from Interstate 10 and State Highway 80.
 - (e) There is an existing need for commercial disposal facilities that can accept saltwater from the Muldoon Field, which lies to the east. M.B. Energy believes it will be competitive with other disposal wells in the area and will receive disposal fluids from the west side of the Muldoon Field.
 - (f) Competition between commercial disposal facilities, and ready access to a more proximate commercial disposal facility, may result in lower disposal costs for operators, allowing wells to operate over a longer life, thereby producing more hydrocarbons and preventing waste.
 9. The requirement in the Final Order in Oil & Gas Docket 01-0231674 that Coastline pay an administrative penalty of \$2,000 less \$1,000 already paid has been rendered moot. The remaining penalty amount of \$1,000 in that docket was paid by check dated January 4, 2006

and received by the Commission on January 6, 2006, as noted in the remarks section of this docket in the Commission mainframe.

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. M.B. Energy has a good faith claim of a right to operate the subject lease.
4. M.B. Energy 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. 01-0231674 requiring plugging of Well No. 1W on the Webb, Max L. B (07476) Lease, Guadalupe County, 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 February 6, 2007.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 01-0231674 requiring plugging of Well No. 1W on the Webb, Max L. B (07476) Lease, Guadalupe 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 M.B. Energy, LLC to change the operator of Well No. 1W on the Webb, Max L. B (07476) Lease, Guadalupe County, from Coastline Resources, Inc. to M.B. Energy, LLC is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on February 6, 2007, 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 6th day of February, 2007, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
February 6, 2007)**

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