

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET NO. 01-0259972

APPLICATION OF U.S.A. PLUGGING COMPANY TO SUPERCEDE THE FINAL ORDER SIGNED ON JULY 15, 2008, IN OIL & GAS DOCKET NO. 01-0254496, REQUIRING THE SWEENEY, CAMILLE (12964) LEASE, WELL NOS. 1 AND 3, TOUCHSTONE (OLMOS -A-) FIELD, AND THE SWEENEY, CAMILLE (13240) LEASE, WELL NO. 2, PEARSALL (AUSTIN CHALK) FIELD, FRIO COUNTY, TEXAS, BE PLUGGED, ENABLING U.S.A. PLUGGING COMPANY 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 December 1, 2008. 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. U.S.A. Plugging Company (hereinafter "USA") and Fortune Operating Company (hereinafter "Fortune") were given at least 10 days notice of this proceeding. USA appeared at the scheduled time and place for the hearing through its representatives, Consultants Gene Day and Phil McCool. Fortune did not appear. USA 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. USA filed its first Commission Form P-5 (Organization Report) with the Commission on May 12, 1994. USA has posted financial assurance with the Commission in the form of a \$25,000 letter of credit which expires August 1, 2009.
3. Fortune was recognized as the operator of the Sweeney, Camille (12964) Lease, Well Nos. 1 and 3, and the Sweeney, Camille (13240) Lease, Well No. 2 (hereinafter "subject leases" and "subject wells") after filing Commission Form P-4s (Producer's Transportation Authority and Certificate of Compliance), both effective April 17, 1996.
4. In Oil & Gas Docket No. 01-0254496, Fortune was ordered to plug Well Nos. 1 and 3 on the Sweeney, Camille (12964) Lease, and plug Well No. 2 on the Sweeney, Camille (13240) Lease, and pay an administrative penalty of \$9,250.00. Fortune has not complied with the terms of the Final Order in Oil & Gas Docket No. 01-0254496.
5. USA has provided evidence of its good faith claim to operate the subject lease and wells by presenting a lease covering the relevant tract effective April 10, 2008 with a termination date

of February 10, 2009. Lessor Clyde Russell appeared at the hearing and expressed his willingness to give USA a lease extension if the supercede transfer process exceeded the termination date of the present lease.

6. USA has filed with the Commission a two-signature Form P-4 (Producer's Certificate of Compliance and Transportation Authority) to become the operator of Well Nos. 1 and 3 on the Sweeney, Camille (12964) Lease and a two-signature Form P-4 (Producer's Certificate of Compliance and Transportation Authority) to become the operator of Well No. 2 on the Sweeney, Camille (13240) Lease.
7. USA operates a total of 3 wells at the present time, in District 1, with a total depth of 19,919 feet.
8. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 01-0254496 that the Sweeney, Camille (12964) Lease, Well Nos. 1 and 3, and the Sweeney, Camille (13240) Lease, Well No. 2 be plugged is necessary to prevent waste.
 - (a) The Sweeney, Camille (12964) Lease, Well No. 1 is currently an injection well in the Touchstone (Olmos -A-) Field. When originally drilled, to the Pearsall (Austin Chalk) Field, the well deviated from its permitted path, creating a between-well spacing problem. Due to this problem, the well was never produced, but was plugged back and completed in the Touchstone (Olmos -A-) Field. USA plans to re-enter and deepen the well to the Pearsall (Austin Chalk) Field. USA believes this well could make 40 to 50 BO per day.
 - (b) The Sweeney, Camille (12964) Lease, Well No. 3, was completed as a vertical well and tested an initial production of 4 to 5 BO per day in the Touchstone (Olmos -A-) Field. USA will probably make this well its disposal well to allow production from the other two wells.
 - (c) The Sweeney, Camille (13240) Lease, Well No. 2 was completed in the Pearsall (Austin Chalk) Field and last reported production of 48 BO in August, 1999. In June, 1999, it produced 303 BO. USA plans to clean out the lateral and try to restore production.
 - (d) USA believes that formerly depleted areas in the subject fields have equalized in pressure over the last ten years and that there are again recoverable hydrocarbons in place beneath the subject leases.
9. USA has agreed on the record to waive issuance of a PFD in this Docket.
10. USA has agreed on the record that, pursuant to the provisions of Texas Government Code §2001.144(a)(4), the P-4 transfer of the applied-for wells will be effective on the day the Order is signed by the Commissioners.

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. U.S.A. Plugging Company has a good faith claim of a right to operate the subject leases and wells.
4. U.S.A. Plugging Company 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 leases and wells.
5. An Order superceding the Final Order entered in Oil & Gas Docket No. 01-0254496 requiring plugging of the Sweeney, Camille (12964) Lease, Well Nos. 1 and 3, and the Sweeney, Camille (13240) Lease, Well No. 2, Frio County, Texas, is necessary to prevent waste.
6. Pursuant to §2001.144(a)(4) of the Texas Government Code, and the agreement of U.S.A. Plugging Company, this Final Order is effective when a Master Order relating to this Final Order is signed on December 16, 2008.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 01-0254496 requiring plugging of the Sweeney, Camille (12964) Lease, Well Nos. 1 and 3, and the Sweeney, Camille (13240) Lease, Well No. 2, Frio County, is hereby superceded. All other provisions of the Final Order shall remain in full force and effect.

It is further **ORDERED** that the Forms P-4 (Certificate of Compliance and Transportation Authority) filed by U.S.A. Plugging Company to change the operator of the Sweeney, Camille (12964) Lease, Well Nos. 1 and 3, and the Sweeney, Camille (13240) Lease, Well No. 2, Frio County, from Fortune Operating Company to U.S.A. Plugging Company are hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on December 16, 2008, 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 16th day of December, 2008, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
December 16, 2008)**