

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL & GAS DOCKET NO. 03-0249599

APPLICATION OF MAXMIN RESOURCES, LLC TO SUPERCEDE THE FINAL ORDER SIGNED ON APRIL 9, 2002, IN OIL & GAS DOCKET NO. 03-0227355 REQUIRING THAT THE SANTA ELENA LECUNA (19815) LEASE, WELL NO. 2, WILDCAT FIELD, MADISON COUNTY, TEXAS, BE PLUGGED AND THE FINAL ORDER SIGNED ON DECEMBER 20, 2002, IN OIL & GAS DOCKET NO. 03-0230900 REQUIRING THAT THE LECUNA, SANTA ELENA LEASE, WELL NO. 1 (RRC NO. 105087), MADISONVILLE (SUB-CLARK, GAS) FIELD, MADISON COUNTY, TEXAS, BE PLUGGED, ENABLING MAXMIN RESOURCES, LLC TO BECOME THE OPERATOR OF THE WELLS

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by the examiner on November 20, 2006. The proceeding 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. At least 10 days notice of this proceeding was given to Maxmin Resources, LLC ("Maxmin") and MP Energy, Inc. ("MP Energy"). Maxmin appeared at the hearing on November 20, 2006, and presented evidence. No person appeared in opposition to the Maxmin application, and Maxmin announced on the record at the hearing that Maxmin waived the issuance of a proposal for decision in this docket. All parties have agreed on the record that this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.
2. On April 9, 2002, the Commission signed a Final Order in Oil & Gas Docket No. 03-0227355 requiring, among other things, that MP Energy plug the Santa Elena Lecuna (19815) Lease, Well No. 2, Wildcat Field, Madison County, Texas.
3. On December 20, 2002, the Commission signed a Final Order in Oil & Gas Docket No. 03-0230900 requiring, among other things, that MP Energy plug the Lecuna, Santa Elena Lease, Well No. 1 (RRC No. 105087), Madisonville (Sub-Clark, Gas) Field, Madison County, Texas.
4. MP Energy has not complied with the Final Orders in Oil & Gas Docket Nos. 03-0227355 and 03-0230900, and the Santa Elena Lecuna (19815) Lease, Well No. 2 and the Lecuna,

Santa Elena Lease, Well No. 1 (RRC No. 105087) (“subject wells”) remain unplugged. MP Energy presently is the designated operator of the subject wells on records of the Commission.

5. The Form P-5 organization report of MP Energy has been delinquent since August 1, 2001, and MP Energy has no financial assurance on file with the Commission. Pursuant to Texas Natural Resources Code §91.114, the Commission may not renew the organization report of MP Energy because of three unresolved final enforcement orders against MP Energy.
6. On September 26, 2006, Maxmin filed Forms P-4 (Certificate of Compliance and Transportation Authority) with the Commission requesting a change of operator of the subject wells from MP Energy to Maxmin.
7. On October 24, 2006, Maxmin filed with the Commission a request for hearing to consider whether the Commission should enter an order superceding the Final Orders in Oil & Gas Docket Nos. 03-0227355 and 03-0230900 insofar as they required that the subject wells be plugged.
8. Maxmin has an active Form P-5 organization report and has approved financial assurance on file with the Commission in the form of a \$50,000 bond.
9. There is no affiliation of any kind between Maxmin and MP Energy.
10. Maxmin possesses a currently effective oil and gas lease covering the property on which the subject wells are located by virtue of Paid Up Oil, Gas and Mineral Lease dated August 7, 2006, between Santa Elena Ranch, Inc., Lessor, and Maxmin, Lessee.
11. Superceding the Final Orders in Oil & Gas Docket Nos. 03-0227355 and 03-0230900, insofar as they required the subject wells to be plugged, and permitting Maxmin to become the designated operator of the wells, likely will prevent the ultimate loss of hydrocarbons.
 - a. The subject wells have open perforations in the Madisonville (Sub-Clark, Gas) reservoir.
 - b. The Lecuna, Santa Elena Lease, Well No. 1 (RRC No. 105087) was completed on December 18, 1981. This well became inactive in April 1998, after producing 34 MMCF of gas and 1,086 barrels of condensate from the Madisonville (Sub-Clark, Gas) Field.
 - c. The Santa Elena Lecuna (19815) Lease, Well No. 2 was completed on April 26, 1983. This well tested for oil but never produced commercially.

- d. A cross section of logs for the subject wells and the Boney #1 and Key #1 wells demonstrates that the producing zone in the Madisonville (Sub-Clark, Gas) Field correlates across all four wells on the cross section.
 - e. The Boney #1 was located about 1,200' from the Lecuna, Santa Elena Lease, Well No. 1 (RRC No. 105087) and was also located on the Santa Elena Lecuna Lease. This well produced 92 MMCF of gas and 2,313 barrels of condensate from the Madisonville (Sub-Clark, Gas) Field before it was plugged and abandoned in 1966.
 - f. The Key #1 is located about 10,000' from the Santa Elena Lecuna (19815) Lease, Well No. 2 and is a producing well in the Madisonville (Sub-Clark, Gas) Field. This well has produced 2,582 MMCF of gas and 46,058 barrels of condensate.
 - g. Maxmin believes that financial constraints of a previous operator accounts for the fact that the Santa Elena Lecuna (19815) Lease, Well No. 2 never produced commercially and the Lecuna, Santa Elena Lease, Well No. 1 (RRC No. 105087) ceased to produce in 1998.
 - h. Based on its engineering analysis and log correlation, Maxmin believes that the subject wells can be restored to production and will produce in paying quantities.
12. Superseding the Final Orders in Oil & Gas Docket Nos. 03-0227355 and 03-0230900, insofar as they required the subject wells to be plugged, and permitting Maxmin to become the designated operator of the wells, will not endanger natural resources or circumvent Commission rules.

CONCLUSIONS OF LAW

- 1. Proper notice of hearing was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
- 2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties to this hearing have been performed or have occurred.
- 3. Maxmin Resources, LLC is an active operator and has sufficient financial assurance on file with the Commission pursuant to Texas Natural Resources Code §§91.104, 91.1042, and 91.107.
- 4. Conditions respecting the subject wells have changed since issuance of the Commission's Final Orders in Oil & Gas Docket Nos. 03-0227355 and 03-0230900.
- 5. Maxmin Resources, LLC has a good faith claim of a current right to operate the subject wells.

6. Superceding the Final Orders in Oil & Gas Docket Nos. 03-0227355 and 03-0230900, insofar as they required the subject wells to be plugged, and permitting Maxmin to become the designated operator of the wells, will promote conservation of natural resources and prevention of waste pursuant to Texas Natural Resources Code §85.201.
7. Pursuant to Texas Government Code §2001.144(a)(4), and the agreement and consent of all parties, this Final Order is effective when a Master Order relating to this Final Order is signed on December 5, 2006.

It is accordingly **ORDERED** that the Final Order signed on April 9, 2002, in Oil & Gas Docket No. 03-0227355 is hereby superceded only insofar as it required that the Santa Elena Lecuna (19815) Lease, Well No. 2, Wildcat Field, Madison County, Texas, be plugged, and the Final Order signed on December 20, 2002, in Oil & Gas Docket No. 03-0230900 is hereby superceded only insofar as it required that the Lecuna, Santa Elena Lease, Well No. 1 (RRC No. 105087), Madisonville (Sub-Clark, Gas) Field, Madison County, Texas, be plugged. All other provisions of the Final Orders in Oil & Gas Docket Nos. 03-0227355 and 03-0230900 remain in full force and effect.

It is further **ORDERED** that the Forms P-4 (Certificate of Compliance and Transportation Authority) filed with the Commission on September 26, 2006, by Maxmin Resources, LLC, requesting a change of operator of the Santa Elena Lecuna (19815) Lease, Well No. 2, Wildcat Field, Madison County, Texas, and the Lecuna, Santa Elena Lease, Well No. 1 (RRC No. 105087), Madisonville (Sub-Clark, Gas) Field, Madison County, Texas, from MP Energy, Inc., to Maxmin Resources, LLC are hereby **APPROVED**.

It is further **ORDERED** that this Final Order shall be effective on December 5, 2006, 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 5th day of December, 2006, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
December 5, 2006)**