

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

**OIL AND GAS DOCKET NO. 05-0246721**

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**APPLICATION OF OPTIMAL UTILITIES INC. TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER IN DOCKET NOS. 05-0222544 AND 05-0221581 REQUIRING THE PLUGGING OF THE GILL LEASE, WELL NO. 1 AND THE GILL -A- LEASE, WELL NO. 2, SHELTON (COTTON VALLEY) FIELD, RED RIVER COUNTY, TEXAS ENABLING OPTIMAL UTILITIES INC. TO BECOME THE OPERATOR OF RECORD.**

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**FINAL ORDER**

The Commission finds that after statutory notice the above-captioned proceeding was heard by the examiner on April 4, 2006. 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. Optimal Utilities Inc. (hereinafter "Optimal") and Suntex Oil & Gas Co. (hereinafter "Suntex") were given at least 10 days notice of this proceeding. Optimal appeared at the scheduled time and place for the hearing through its Geologist, Kes Gaizutis, and its Engineer, Robert Long, and presented evidence. Suntex 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. Optimal filed its first Commission Form P-5 (Organization Report) with the Commission on December 16, 2005, and has posted financial assurance with the Commission in the form of a \$25,000 bond which expires January 27, 2007.
3. Suntex was recognized as the operator of the Gill (02185) Lease , Well No. 1(hereinafter "Gill Lease") after filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective December 1, 1992.
4. Suntex was recognized as the operator of the Gill -A- (02199) Lease, Well No. 2, (hereinafter Gill -A- Lease") after filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective December 1, 1992.
5. In Oil & Gas Docket No. 05-0222544, Suntex was ordered to plug the Gill (02185) Lease Well No. 1 and the Underwood (02209) Lease, Well No. 1. In Oil & Gas Docket No. 05-

- 0221581, Suntex was ordered to plug the Gill -A- Lease, Well No. 2. Administrative penalties in both dockets totaled \$10,000 (\$4,000 in Docket No. 05-0222544 and \$6,000 in Docket No. 05-0221581).
6. Optimal provided a copy an “Assignment of Oil, Gas and Mineral Leases and Bill of Sale” effective January 30, 2006, which includes the lands on which the subject wells are located. The most recent leases from 1991 are held by production on the Gill -B- (03637) Lease. The assignment is Optimal’s good faith claim to operate Well No. 1 on the Gill Lease and Well No. 2 on the Gill -A- Lease.
  7. Superseding the requirement in the Final Order entered in Oil & Gas Docket Nos. 05-0222544 that the Gill (02185) Lease, Well No. 1 be plugged is necessary to prevent waste.
    - (a) Applicant was unable to locate any production records for the subject well, but in partial log records, found that the well initially tested at 13 BOPD in 1980.
    - (b) The Shelton (Cotton Valley ) Field is a blanket sand that underlies all of the Optimal leases. The field has never watered out.
    - (c) Optimal will attempt to restore the well to production. In the event of lack of success, Optimal will use the well as an injector in a planned field waterflood with an adjacent operator.
    - (d) Well No. 1 penetrates the Shelton (Cotton Valley) Field at approximately 5350' and the log footer shows potential production at that depth.
  8. Superseding the requirement in the Final Order entered in Oil & Gas Docket No. 05-0221581 that the Gill -A- (02199) Lease. Well No. 2 be plugged is necessary to prevent waste.
    1. Applicant was unable to locate any production records for the subject well, but in log records, found that the well initially tested at 21 BOPD in 1980.
    2. The Shelton (Cotton Valley) Field is a blanket sand that underlies all of the Optimal leases. The field has never watered out.
    3. Optimal plans to restore the well to production.
    4. Well No. 2 penetrates the Shelton (Cotton Valley) Field at approximately 5300' and the log footer shows potential production at that depth.
  9. The requirement in the Final Order in Oil & Gas Docket No. 05-0222544 that Suntex plug Well No. 1 on the Underwood (02209) Lease, Well No. 1 and pay an administrative penalty of \$4,000 shall remain in effect. The requirement in Oil & Gas Docket No. 05-0221581 that Suntex pay an administrative penalty of \$6,000 shall 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. Optimal has a good faith claim of a right to operate the subject lease.
4. Optimal 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. A Final Order superceding the Final Order entered in Oil & Gas Docket No. 05-0222544 requiring plugging of Well No. 1 on the Gill (02185) Lease, Red River County, is necessary to prevent waste.
6. A Final Order superceding the Final Order entered in Oil & Gas Docket No. 05-0221581 requiring plugging of Well No. 2 on the Gill -A- (02199) Lease, Red River County, is necessary to prevent waste.
7. The Final Order in this Docket superceding the Final Order in Oil & Gas Docket Nos. 05-0222544 and 05-0221581 is effective only as to the disposition of Well No. 1 on the Gill (02185) Lease, Red River County, and the disposition of Well No. 2 on the Gill -A- (02199) Lease and does not relieve Suntex of its obligation to plug Well No. 1 on the Underwood (02209) Lease, Red River County, and pay an administrative penalty of \$4,000 in Oil & Gas Docket No. 05-0222544 to the Railroad Commission and does not relieve Suntex of its obligation to pay an administrative penalty of \$6,000 in Oil & Gas Docket No. 05-0221581 to the Railroad Commission.
8. 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 May 16, 2006.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 05-0222544 requiring plugging of Well No. 1 on the Gill (02185) Lease, Red River County is hereby superceded. All other provisions of the Final Order shall remain in full force and effect.

It is also **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 05-0221581 requiring plugging of Well No. 2 on the Gill -A- (02199) Lease, Red River 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 Optimal Utilities Inc. to change the operator of Well No. 1 on the Gill (02185) Lease, Shelton (Cotton Valley) Field, Red River County, from Suntex Oil & Gas Co. to Optimal Utilities Inc. is hereby **APPROVED**.

It is further **ORDERED** that the Form P-4 (Certificate of Compliance and Transportation Authority) filed by Optimal Utilities Inc. to change the operator of Well No. 2 on the Gill -A- (02199) Lease, Shelton (Cotton Valley) Field, Red River County, from Suntex Oil & Gas Co. to Optimal Utilities Inc. is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on May 16, 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 16th day of May, 2006, in Austin, Texas.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotested Master Order dated  
May 16, 2006)**