

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET NO. 06-0260882

APPLICATION OF OIL PATCH OPERATORS CO., LLC TO SUPERCEDE THE PLUG-ONLY PROVISION OF THE FINAL ORDER IN OIL AND GAS DOCKET NO. 06-0234259 REGARDING WELL NO. 102W ON THE WILLIS UNIT LEASE IN CASS COUNTY, TEXAS; SUB-DIVIDE WELL NO. 102W FROM THE WILLIS UNIT LEASE; AND APPROVE THE TRANSFER FROM CHAPARRAL OPERATING, INC. TO OIL PATCH OPERATORS CO., LLC OF THE WILLIS UNIT (05968) LEASE, WELL NO. 102W, RODESSA (DEES YOUNG) FIELD, CASS COUNTY, TEXAS.

FINAL ORDER

The Commission finds that after statutory notice the above-captioned proceeding was heard by the examiner on March 3, 2009. 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. Oil Patch Operating Co., LLC (hereinafter "Oil Patch") and Chaparral Operating, Inc. (hereinafter "Chaparral") were given at least 10 days notice of this proceeding. Oil Patch appeared at the scheduled time and place for the hearing through its representative, Jana Stark. Chaparral did not appear. Oil Patch 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. Oil Patch filed its first Commission Form P-5 (Organization Report) with the Commission on January 29, 2008 and filed its most recent Commission Form P-5 on November 25, 2008. Oil Patch has posted financial assurance with the Commission in the form of a \$50,000 letter of credit which expires March 1, 2010.
3. Chaparral was recognized as the operator of the adjoining Chew, W.D. -A- (01488) Lease (hereinafter "subject lease") after filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance), approved April 3, 2008 and effective January 25, 2008.
4. Oil Patch has filed a Commission Form P-6 (Request for Permission to Subdivide or Consolidate Oil Lease(s)) which would subdivide Well No. 102W out of the Willis Unit (05968) Lease into the Willis Sub Unit I-1Lease.

5. In Oil & Gas Docket No. 06-0234259, Chaparral was ordered to plug the Willis Unit (05968) Lease, Well Nos. 102W, 103W, 104W, 201W, 202W, 1021W and 1022W, and pay an administrative penalty of \$27,250.00. Chaparral has not complied with the terms of the Final Order in Oil & Gas Docket No. 06-0234259.
6. Oil Patch has provided evidence of its good faith claim to operate the subject lease and well by presenting leases covering the relevant tract and production reports from wells on the tract showing it is held by production.
7. Oil Patch operates a total of 14 wells at the present time, many in the same area as the applied-for wells, and is experienced in operating in the Rodessa (Dees Young) Field.
8. Superseding the requirement in the Final Order entered in Oil & Gas Docket No. 06-0234259 requiring that the Willis Unit (05968) Lease, Well No. 102W be plugged is necessary to prevent waste.
 - (a) Oil Patch stated that Well No. 102W would be used as a saltwater disposal well.
 - (b) Well No. 4 on the Chew, W.D. -A- Lease is only 400 yards away and makes oil and saltwater.
 - (c) Well Nos. A1 (former 201W) and A2 (former 202W) on the Chew, W.D. -A- Lease are due east of Well No. 102W, are low-producing wells and have a high water-cut.
 - (d) The use of Well No. 102W as a saltwater disposal well will prolong the economic life of Well Nos. 4, A1 and A2.
9. Oil Patch has agreed on the record to waive issuance of a PFD in this Docket.
10. Oil Patch 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 well 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. Oil Patch Operators Co., LLC has a good faith claim of a right to operate the subject lease.

4. Oil Patch Operators Co., LLC 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. 06-0234259 requiring plugging of Well No. 102W on the Willis Unit (05968) Lease, Cass County, is necessary to prevent waste.
6. Pursuant to §2001.144(a)(4) of the Texas Government Code, and the agreement of Oil Patch, this Final Order is effective when a Master Order relating to this Final Order is signed on June 18, 2009.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 06-0234259 requiring plugging of Well No. 102W on the Willis Unit (05968) Lease, Cass 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) and Form P-6 filed by Oil Patch Operators Co., LLC to change the operator of Well No. 102W on the Willis Unit (05968) Lease, Cass County, from Chaparral Operating, LLC to Oil Patch Operators Co., LLC under the new Willis Unit Sub Unit I-1 is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on June 18, 2009, 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 18th day of June, 2009, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
June 18, 2009)**