

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET NO. 8A-0252496

APPLICATION OF ACE FIELD SERVICES, INC. TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER IN DOCKET NO. 8A-0231867 ISSUED DECEMBER 21, 2002 REQUIRING S&T SALVAGE TO PLUG THE MACY LOTT 10 LEASE, WELL NO. 1 AND THE MACY LOTT B-10 LEASE, WELL NO. 1, HAPPY, SOUTH (STRAWN) FIELD, GARZA COUNTY, TEXAS, ENABLING ACE FIELD SERVICES 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 August 3, 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. Ace Field Services, Inc. (hereinafter "Ace") and S&T Salvage (hereinafter "S&T") were given at least 10 days notice of this proceeding. Ace appeared at the scheduled time and place for the hearing through its Managing Partner, Jan Chen and its President, Dr. A.P. Yang, and presented evidence. S&T did not appear. Ace has agreed on the record to waive issuance of a PFD and that this Final Order shall be effective as of the date a Master Order relating to this Final Order is signed.
2. Ace filed its first Commission Form P-5 (Organization Report) with the Commission on July 7, 2005, and filed its most recent Commission Form P-5 on August 2, 2007. Ace has posted financial assurance with the Commission in the form of a \$50,000 bond which expires November 30, 2008.
3. S&T was recognized as the operator of the Macy Lott 10 (66864) Lease, Well No. 1 and the Macy Lott B-10 (66836) Lease, Well No. 1 (hereinafter "subject leases and wells") after filing Commission Forms P-4 (Producer's Transportation Authority and Certificate of Compliance), effective June 18, 1999.
4. In Oil & Gas Docket No. 8A-0231867, S&T was ordered to plug the Macy Lott 10 Lease, Well No. 1, plug the Macy Lott B-10 Lease, Well No. 1, and pay an administrative penalty of \$4,500.00.
5. Ace provided a copy of a new lease on the subject wells granted to Newell Energy Corporation and an Operating Agreement from Newell authorizing Ace to operate the

subject leases and wells.

6. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 8A-0231867 that the Macy Lott 10 (66864) Lease, Well No. 1 and the Macy Lott B-10 (66836) Lease, Well No. 1 be plugged is necessary to prevent waste.
 - (a) Due to a high water cut and the low price of oil in the late 1990s, production from the subject wells and leases was no longer economically viable.
 - (b) Ace will apply new technology to the subject wells and leases in an effort to change the oil/water ratio of the production, which may result in the production of as much as 30 BO day, which, over three years time, may result in the production of roughly 30,000 BO.
 - (c) A review of the well logs of the subject wells indicates that some small potentially productive zones were bypassed. Ace will explore completing these bypassed zones in an effort to produce additional hydrocarbons.
7. The requirement in the Final Order in Oil & Gas Docket 8A-0231867 that S&T pay an administrative penalty of \$4,500.00 will 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. Ace has a good faith claim of a right to operate the subject lease.
4. Ace 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. 8A-0231867 requiring plugging of Well No. 1 on the Macy Lott 10 Lease and plugging of Well No. 1 on the Macy Lott B-10 Lease, Garza County, is necessary to prevent waste.
6. The Final Order in this Docket superceding the Final Order in Oil & Gas Docket 8A-0231867 is effective only as to the disposition of Well No. 1 on the Macy Lott 10 (66864) Lease and Well No. 1 on the Macy Lott B-10 (66836) Lease, Garza County, and does not relieve S&T of its obligation to pay an administrative penalty of \$4,500.0 to the Railroad Commission.
7. 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 August 28, 2007.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 8A-0231867 requiring plugging of Well No. 1 on the Macy Lott 10 (66864) Lease and plugging of Well No. 1 on the Macy Lott B-10 (66836) Lease, Garza 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 Ace Field Services, Inc. to change the operator of Well No. 1 on the Macy Lott 10 (66864) Lease and of Well No. 1 on the Macy Lott B-10 (66836) Lease, Happy, South (Strawn) Field, Garza County, from S&T Salvage to Ace Field Services, Inc. is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on August 28, 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 11th day of September, 2007, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
September 11, 2007)**