



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

January 13, 2010

**OIL & GAS DOCKET NO. 01-0263123**

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COMMISSION CALLED HEARING TO PROVIDE BJT OIL COMPANY, INC. TO SHOW CAUSE WHY STATEWIDE RULE 14(B)(2) PLUGGING EXTENSIONS SHOULD BE REINSTITATED FOR THE SAMPLE UNIT (14027) LEASE, WELL NO. 2, STOCKDALE, E. (CHALK, UPPER) FIELD, THE POSEY (12138) LEASE, WELL NOS. 1 AND 1A, NIXON FIELD AND THE HARDIN, A. T. -B- LEASE, WELL NO. 1 (RRC GAS ID NO. 088443) STOCKDALE (CARRIZO) FIELD, WILSON COUNTY, TEXAS.

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**APPEARANCES:**

**For Respondent BJT Oil Company, Inc.:**  
Carter Hill, President

**For Intervenor Alcor Energy:**  
Mark Brown

**For Complainant Randy Posey:**  
William Knobles, Attorney  
Randy Posey

**For the Railroad Commission of Texas:**  
Kelli Tieken, Staff Attorney, Office of General Counsel - Enforcement Section  
Sheila Weigand

### PROPOSAL FOR DECISION PROCEDURAL HISTORY

<b>COMPLAINT FILED:</b>	July 15, 2009
<b>PLUGGING EXTENSIONS CANCELLED:</b>	September 1, 2009
<b>REQUEST FOR HEARING FILED:</b>	September 29, 2009
<b>NOTICE OF HEARING ISSUED:</b>	October 1, 2009
<b>HEARING HELD:</b>	October 27, 2009
<b>HEARD BY:</b>	Mark Helmueller, Hearings Examiner
<b>PROPOSAL FOR DECISION CIRCULATED:</b>	January 13, 2010

### STATEMENT OF THE CASE

BJT Oil Company, Inc. ("BJT") requested a Commission hearing to contest the cancellation of the plugging extensions for the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field ("Sample No. 2"), the Posey (12138) Lease, Well Nos. 1 and 1A, Nixon Field ("Posey Nos. 1 and 1A"). The plugging extensions were cancelled because BJT failed to provide evidence of a good faith claim of a continuing right to operate the wells at the request of the Commission. BJT also contests the statement that a plugging extension for the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field, Wilson County, Texas ("Hardin No. 1") could not be reinstated without establishing a good faith claim of a continuing right to operate the well. The plugging extension for the Hardin No. 1 was canceled based on the failure to file a required fluid level test.

The plugging extensions for the Sample No. 2 and the Posey Nos. 1 and 1A were cancelled after the Commission received a complaint on behalf of the mineral interest owner, Randy Posey (hereinafter "Posey") claiming BJT's lease had terminated. BJT failed to respond to a request to produce documentation of its right to operate, resulting in the cancellation of the plugging extensions. Both BJT and Alcor Energy, Inc. ("Alcor") appeared at the hearing and presented evidence. Posey appeared at the hearing and presented evidence through his counsel. Additionally, the Commission appeared through Enforcement Staff Attorney, Kelli Tieken.

### APPLICABLE RULES

Statewide Rule 14(b)(2) provides in part:

Plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease and shall proceed with due diligence until completed. Plugging operations on delinquent inactive wells shall be commenced immediately unless the well is restored to active operation. For good cause, a reasonable extension of time in which to start the plugging operations may be granted pursuant to the following procedures.

Statewide Rule 14(b)(2)(C)(i) concerning revoking plugging extensions provides:

The Commission or its delegate may revoke a plugging extension if the operator of the well that is the subject of the extension fails to maintain the well and all associated facilities in compliance with Commission rules; fails to maintain a current and accurate organizational report on file with the Commission; fails to provide the Commission, upon request, with evidence of a continuing good faith claim to operate the well; or fails to obtain or maintain financial security as required by §3.78 of this title (relating to Fees and Financial Security Requirements) (Statewide Rule 78).

### **MATTERS OFFICIALLY NOTICED**

The examiner took official notice of organization reports, enforcement dockets, and Commission Final Orders related to BJT, Alcor, and P.S.N. Petroleum Inc. Official notice was also taken of production reports, operator transfer requests, and lease inspection records for the subject leases and wells. The examiner also took official notice of Office of General Counsel Complaint File 2009-102 concerning the complaint that BJT did not possess a current right to operate the subject leases and that any plugging extensions should be canceled.

#### *Organization and Operator Transfer Records*

BJT filed its most recent Commission P-5 (Organization Report) on May 21, 2009. Carter Hill is listed as the president of the company. BJT is currently shown as the operator of only the 4 wells at issue in this docket which have a total depth of 15,717 feet.

Alcor filed its most recent P-5 on May 13, 2009. Patrick Niedorf, Jr. is listed as the president of the company. Alcor is currently shown as the operator of 35 wells with a total depth of 153,700 feet. The prior president of Alcor was Patrick Niedorf, Sr. who resigned as president in February 2004. Patrick S. Niedorf, Sr. is currently barred from acting in a position of ownership or control for any active oil and gas operator in the State of Texas pursuant to the requirements of Texas Natural Resources Code Section 91.114. Patrick Niedorf, Sr. is identified as an officer of Alcor and P.S.N. Petroleum, Inc. in 12 Enforcement Dockets. The bar under Section 91.114 is based on unresolved violations of Commission rules in four of the Enforcement Dockets while he was the president of P.S.N. Petroleum, Inc. The Commission Final Orders related to these dockets were signed on February 10, 2004. Under Section 91.114 the bar will be in effect until February 2011.

Official notice was also taken of the Commission P-4 (Certificate of Compliance and Transportation Authority) records showing that BJT was recognized as the operator of the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field, the Posey (12138) Lease, Well Nos. 1 and 1A, Nixon Field and the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field on April 22, 2009.

On July 8, 2009, Alcor submitted P-4s executed by BJT to recognize Alcor as the operator of the subject leases. The requests to be recognized as the operator were denied by the Office of General Counsel because Alcor failed to provide evidence of a good faith claim of a continuing right to operate the subject leases.

Lease Inspections

On March 5, 2009, a Commission District Office inspection was conducted on the Posey Nos. 1 and 1A, and the Sample No. 2. The operator of the wells at the time of the inspection was Alcor.

The Sample No. 2 was found to be inactive and not equipped to produce. The flow line was disconnected and there was no production equipment on the well. The inspector also noted violations of Commission Statewide Rule 3 for a missing sign at the well, and Commission Statewide Rule 36 for missing H<sub>2</sub>S signs at the well and lease entrance.

The Posey No. 1 was found to be inactive and not equipped to produce. However, the Posey No. 1A was open and flowing oil into a tank. The inspector noted that the production was in violation of a Commission severance order from April 2007 for overproduction. The inspector further noted that the Commission Form W-10 for the well was delinquent, and that Alcor's P-5 was delinquent. Violations of Commission Statewide Rule 3 for missing signs at the wells, and Commission Statewide Rule 36 for missing H<sub>2</sub>S signs at the well and tank battery were observed.

A follow up Commission inspection on the Posey Lease was conducted on April 2, 2009. The inspector found that the Posey No. 1A was still open and flowing in violation of the Commission's severance order. On April 7, 2009, the Commission inspector shut-in the Posey No. 1A and sealed it with Commission seal number 2410006.

On April 24, 2009 another back check inspection was performed on the Posey Lease. The inspection report notes that BJT was now the operator of record and that new signs needed to be installed with the correct operator name. The report also notes a violation of Commission Statewide Rule 21 with respect to the condition of the firewall at the tank battery.

On July 14, 2009, an inspection of the Posey Lease revealed that the Commission seal on the Posey No. 1A had been removed. A second seal, number 2410022 was installed. Additionally, a seal was installed on the hatch at the top of the oil storage tank, seal number 2410009. The inspection report indicates the sign violations were corrected, but that the firewall condition still needed to be addressed.

On July 29, 2009, an inspection of the Posey Lease revealed that the Commission seal on the hatch of the oil storage tank had been cut and removed. A new seal was not installed to allow the Sheriff's Department to investigate. The firewall condition still required correction. A backcheck on September 3, 2009 indicated the seal installed on July 14, 2009 on the Posey No. 1A remained in place and the violation of Statewide Rule 21 still required correction.

On October 14, 2009, two district office inspections were made on the Posey Lease. In the first inspection, conducted at 8:00 am, four violations of Statewide Rule 3 were observed: 3 for missing signs at the lease entrance, tank battery and the Posey No. 1; and a violation at the Posey No. 1A because the sign identified Alcor as the operator. Two violations of Statewide Rule 8 were observed at the storage tank for spills. The Commission seal on the Posey No. 1A remained in place.

The second inspection was performed at 4:00 pm after the inspector was told by the District Office to remove the seal from the Posey No. 1A as the lease had been placed into compliance. The seal was removed and the well was restored to flowing production.

### *Commission Complaint Records*

On July 15, 2009, counsel for Mr. Posey filed a complaint with the Office of General Counsel urging that BJT no longer possessed a right to operate the Sample No. 2, Posey Nos. 1 and 1A, and Hardin No. 1. Commission production records show the Sample No. 2 last reported production in August 1996. The last production for the Hardin No. 1 was reported in April 1993. The last reported production from the Posey Nos. 1 and 1A was in October 2008, with no production reports on file for November 2008 through July 2009.

On July 16, 2009, correspondence was sent by the Office of General Counsel to BJT requesting it provide documentation of its continuing right to operate the Sample No. 2 well and the Posey Nos. 1 and 1A. The correspondence further notes that a required fluid level test for the Hardin No. 1 was delinquent and the well did not have a valid plugging extension. The correspondence advised that the plugging extension for the Hardin No. 1 would remain cancelled until documentation of a continuing right to operate was provided.

BJT did not respond to the July 16, 2009 correspondence. On September 1, 2009, the plugging extensions for the Sample No. 2 and Posey Nos. 1 and 1A were cancelled for the failure to provide the requested documentation of a continuing right to operate.

### *Production Reports*

On August 19, 2009, Patrick Niedorf, Sr., as the agent of Alcor and BJT, signed Commission Form PR (Monthly Production Report) for the Posey Lease for November 2008 through March 2008 on behalf of Alcor, and from April 2008 through July 2008 on behalf of BJT. The production reports show 23 barrels produced in November 2008, no production in December 2008, 12 barrels produced in January 2009, 2 barrels produced in February 2009 and 16 barrels produced in March 2009 while Alcor was the operator and the lease was severed. The production reports filed on behalf of BJT show 18 barrels produced in April 2009, 9 barrels produced in May 2009, 16 barrels produced in June 2009, 8 barrels produced in July 2009 and 7 barrels produced in August 2009. All production reported from May 2009 through August 2009 occurred after the Commission sealed the Posey No. 1A on April 7, 2009. No production report has been filed for September 2009.

### DISCUSSION OF EVIDENCE

BJT urges that while it is the operator of the wells, it was just a contract operator identified solely for the regulatory filings. Alcor is the entity which possesses any legal right and Alcor's personnel performed all operations on the wells. BJT simply wants Alcor to be recognized as the operator of the wells.

Mr. Hill visited the wells on only one instance in January 2009. He did not file production reports or have any knowledge of the day to day operations of the Posey No. 1A. He advised that he was contacted in July 2009 by his pumper, Roy Wolf, who told him that the oil storage tank was full, but the tank hatch had been sealed by the Commission. Mr. Hill believed the seal could be removed as an emergency measure to prevent a potential overflow of the tanks. He therefore instructed Mr. Wolf to remove the seal so that the tanks could be emptied. Mr. Hill acknowledges that his belief was not correct.

Alcor agrees that it holds any legal rights related to the Posey Lease. Alcor claims that the July 25, 1988 lease remains valid because the Posey No. 1A was producing as reflected in the production records currently on file with the Commission. Alcor claims the Hardin No. 1 is a shut-in gas well on the same base lease as the Posey No. 1A, and that it therefore has a good faith claim to operate the Posey Nos. 1 and 1A and the Hardin No. 1 by virtue of the reported production from the Posey No. 1A. Alcor does not claim that the Sample No. 2 is held by production from the Posey No. 1A as the Sample No. 2 is subject to a different lease agreement.

Posey, the mineral interest owner disputes any claim that Alcor or BJT possesses a continuing right to operate the wells. Posey claims that production from the Posey No. 1A was falsely reported as the well was sealed by the Commission twice, and the seal was not officially removed until October 2009. Posey was at one time employed as the pumper for the Posey Lease wells. The Posey No. 1 was shut-in and not capable of production. The Posey No. 1A can be produced as a flowing well.

Posey believes BJT filed false production reports as confirmed by photographic evidence of the actual condition of the Posey No. 1A, specifically noting the undisturbed Commission seal placed on the well by the Commission District Office. Posey contends the photos show that no production occurred for a period of at least 60 days on two instances: 1) from April 8, 2009 through at least June 16, 2009; and, 2) from July 14, 2009 through October 14, 2009. No production during either time period would terminate the July 25, 1988 lease which includes a 60 day cessation of production clause.

### EXAMINER'S OPINION

The question in this case would appear to be relatively simple: Does BJT possess a continuing good faith claim to support its right to operate the subject wells? However, the position taken by BJT and its agents to establish its right to operate reveals several potential violations of Commission rules.

The Commission has jurisdiction to determine an applicant's claimed possessory interest in the mineral estate when issuing a permit as held in *Magnolia Petroleum Co. v. Railroad Commission*, 170 S.W.2d 189, 191 (Tex. 1943). The Texas Supreme Court recognized in *Magnolia*:

"... the Railroad Commission should not do the useless thing of granting a permit to one who does not claim the property in good faith. The Commission should deny the permit if it does not reasonably appear to it that the applicant has a good-faith claim in the property." *Magnolia* at p. 191.

The Commission has incorporated *Magnolia*'s holding in determining the eligibility of an inactive well for a plugging extension. This is reflected by the language of Statewide Rule 14(b)(2)(C)(i):

The Commission or its delegate may revoke a plugging extension if the operator of the well that is the subject of the extension . . . fails to provide the Commission, upon request, with evidence of a continuing good faith claim to operate the well....

BJT contends the July 25, 1988 lease is perpetuated by continued production from the Posey No. 1A. BJT admits that it no longer has a right to operate the Sample No. 2.

It is undisputed that the Commission sealed the Posey No. 1A on April 7, 2009, and that the photographs of the well show the seal remained undisturbed from April 7, 2009 through at least June 16, 2009. BJT's theory that the July 25, 1988 lease was perpetuated by production therefore is not a factually supported claim as the undisputed evidence clearly establishes that no actual production occurred for at least 60 days between April 7, 2009 and June 16, 2009. The July 25, 1988 lease was therefore terminated.

Further, it is also undisputed that a new seal was placed on the Posey No. 1A by the District Office on July 14, 2009. Subsequent Commission inspections showed that the seal remained in place until October 14, 2009. BJT's theory that the July 25, 1988 lease was perpetuated by production is also refuted as the undisputed evidence clearly establishes that no actual production occurred for at least 60 days between July 14, 2009 and October 14, 2009.

The examiner further notes that the evidence in this case indicates a pattern of conduct by BJT, Alcor, and their agents of deliberately ignoring Commission rules and orders. Seals were tampered with and removed on two occasions. Production was reported from a well during time periods when it would not be possible to produce the well without tampering with and removing a Commission seal. Additionally, oil was sold after the seal on the storage tank was removed at the direction of BJT.

In the absence of any factually supported claim of a recognized legal theory to support a continuing right to operate, BJT's plugging extensions for the Posey No. 1, the Hardin No. 1 and the Sample No. 2 must remain canceled. The examiner further recommends BJT be ordered to plug the Posey No. 1, the Hardin No. 1, and the Sample No. 2. The examiner does not recommend that BJT be ordered to plug the Posey No. 1A, as that well is capable of production. However, BJT has not established a good faith claim of a right to operate the well. Accordingly, it is recommended that the Posey No. 1A be sealed until such time that BJT provides evidence of a good faith claim of a continuing right to operate, or another operator establishes such a claim and obtains Commission approval of a Certificate of Compliance and Transportation Authority.

Finally, BJT admitted that it instructed its pumper to remove a Commission placed seal on the storage tank for the Posey Lease. Removal of the seal allowed BJT and Alcor to transport and sell oil in violation of the Texas Natural Resources Code and Commission rules. It also appears that BJT's agent falsely reported production from the Posey No. 1A while the well was sealed and that the seal on the Posey No. 1A was tampered with and removed. The examiner therefore further recommends that a separate Enforcement action be brought against BJT and/or Alcor with respect to the removal of the seals, the false filings of production reports, and any other violations of the Texas Natural Resources Code and Commission rules made by BJT and /or Alcor.

Based on the record in this case, the examiner recommends adoption of the following Findings of Fact and Conclusions of Law.

#### **FINDINGS OF FACT**

1. At least ten (10) days notice of the hearing in this docket was sent to all parties entitled to notice. Both BJT Oil Company, Inc. ("BJT") and Alcor Energy, Inc. ("Alcor") appeared at the hearing and presented evidence. Randy Posey appeared at the hearing and presented evidence through his counsel. Additionally, the Commission appeared through Enforcement Staff Attorney, Kelli Tieken.
2. BJT requested a Commission hearing to contest the cancellation of the plugging extension for the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field, and the Posey (12138) Lease, Well Nos. 1 and 1A, Nixon Field. The plugging extensions were cancelled because BJT failed to provide evidence of a good faith claim of a continuing right to operate the wells at the request of the Commission.



3. BJT also contests the statement that a plugging extension for the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field, Wilson County, Texas which was canceled based on the failure to file a required fluid level test could not be reinstated.
4. BJT filed its most recent Commission P-5 (Organization Report) on May 21, 2009. Carter Hill is listed as the president of the company. BJT is currently shown as the operator of only the 4 wells at issue in this docket which have a total depth of 15,717 feet.
5. Alcor filed its most recent P-5 on May 13, 2009. Patrick Niedorf, Jr. is listed as the president of the company. Alcor is currently shown as the operator of 35 wells with a total depth of 153,700 feet.
6. The prior president of Alcor was Patrick Niedorf, Sr. who resigned as president in February 2004. Patrick S. Niedorf, Sr. is currently barred from acting in a position of ownership or control for any active oil and gas operator in the State of Texas pursuant to the requirements of Texas Natural Resources Code Section 91.114.
  - A. Patrick Niedorf, Sr. is identified as an officer of Alcor and P.S.N. Petroleum, Inc. in 12 Enforcement Dockets.
  - B. The bar under Section 91.114 is based on unresolved violations of Commission rules in four Enforcement Dockets while Patrick Niedorf, Sr. was the president of P.S.N. Petroleum, Inc.
  - C. The Commission Final Orders related to these dockets were signed on February 10, 2004. The statutory bar precluding Patrick Niedorf, Sr. from acting in a position of ownership or control for any active oil and gas operator in the State of Texas will be in effect until February 2011.
7. BJT was recognized as the operator of the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field, the Posey (12138) Lease, Well Nos. 1 and 1A, Nixon Field and the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field on April 22, 2009.
8. On July 8, 2009, Alcor submitted P-4s executed by BJT to recognize Alcor as the operator of the subject leases. The requests to be recognized as the operator were denied by the Office of General Counsel because Alcor failed to provide evidence of a good faith claim of a continuing right to operate the subject leases.
9. Commission production records with respect to the Sample (14027) Lease, Well No. 2 indicate the last reported production was in August 1996.

10. BJT conceded that the lease for Sample (14027) Lease, Well No. 2 was no longer in force and effect.
11. The last production for the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) was reported in April 1993.
12. The plugging extension for the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) was canceled by the Commission for the failure to file a Commission Form H-15 test (Test on an Inactive Well More Than 25 Years Old).
13. The Oil, Gas and Mineral Lease related to the Posey (12138) Lease, Well Nos. 1 and 1A and the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) was entered into on July 25, 1988 with a three year primary term. The lease provides for termination if production ceases for 60 consecutive days after the expiration of the primary term.
14. Commission inspections establish that there was not continuous production from the Posey No. 1A between April 2009 and October 2009.
  - A. On March 5, 2009, a Commission District Office inspection was conducted on the Posey Nos. 1 and 1A. The operator of the wells at the time of the inspection was Alcor.
  - B. The Posey No. 1 was found to be inactive and not equipped to produce. The Posey No. 1A was open and flowing oil into a tank. The inspector noted that the production was in violation of a Commission severance order from April 2007 for overproduction. The inspector further noted that the Commission Form W-10 for the well was delinquent, and that Alcor's P-5 was delinquent. Violations of Commission Statewide Rule 3 for missing signs at the wells, and Commission Statewide Rule 36 for missing H<sub>2</sub>S signs at the well and tank battery were also observed.
  - C. A follow up Commission inspection on the Posey Lease was conducted on April 2, 2009. The inspector found that the Posey No. 1A was still open and flowing in violation of the Commission's severance order.
  - D. On April 7, 2009, the Commission inspector shut-in Posey No. 1A and sealed it with Commission seal number 2410006.
  - E. On July 14, 2009, an inspection revealed that the Commission seal on the Posey No. 1A had been removed. A new seal, number 2410022 was installed. Additionally, a seal was installed on the hatch at the top of the oil storage tank, seal number 2410009.
  - F. On July 29, 2009, an inspection revealed that the Commission seal on the hatch of the oil storage tank had been cut and removed.

- G. A backcheck on September 3, 2009 indicated the seal installed on July 14, 2009 on the Posey No. 1A remained in place.
  - H. On October 14, 2009, two district office inspections were made on the Posey Lease.
    - i. In the first inspection, conducted at 8:00 am, four violations of Statewide Rule 3 were observed: 3 for missing signs at the lease entrance, tank battery and the Posey No. 1; and a violation at the Posey No. 1A because the sign identified Alcor as the operator. Two violations of Statewide Rule 8 were observed at the storage tank for spills. The Commission seal on the Posey No. 1A remained in place.
    - ii. The second inspection was performed at 4:00 pm after the inspector was told by the District Office to remove the seal from the Posey No. 1A as the lease had been placed into compliance. The seal was removed and the well was restored to flowing production.
15. BJT did not establish a factually supported claim that the July 1988 lease remained valid due to actual production from the Posey No. 1A.
- A. The Commission sealed the Posey No. 1A on April 7, 2009.
  - B. Photographs of the well show the seal remained undisturbed from April 7, 2009 through at least June 16, 2009.
  - C. No actual production occurred from the Posey No. 1A Well for at least 60 days between April 7, 2009 and June 16, 2009.
  - D. A second seal was placed on the Posey No. 1A by the District Office on July 14, 2009.
  - E. Subsequent Commission inspections showed that the second seal remained in place until October 14, 2009.
  - F. No actual production occurred from the Posey No. 1A for at least 60 days between July 14, 2009 and October 14, 2009.
  - G. Because there were two periods during which there was no actual production from the Posey No. 1A for at least 60 days, the July 25, 1988 lease terminated.

### **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. Statewide Rule 14(b)(2)(C)(i) requires an operator to establish a good faith claim of a continuing right to operate a well as a condition to obtaining a plugging extension.
4. BJT did not provide a factually supported claim of a current right to operate the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field, the Posey (12138) Lease, Well No. 1, Nixon Field, and, the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field, Wilson County, Texas.
5. Pursuant to Statewide Rule 14(b)(2)(c)(i), the plugging extensions for the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field, the Posey (12138) Lease, Well No. 1, Nixon Field, and, the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field, Wilson County, Texas should remain canceled because BJT did not provide a factually supported claim of a current right to operate the wells.
6. BJT should be ordered to plug the Sample Unit (14027) Lease, Well No. 2, because it does not possess a legal right to operate the well, the well is not equipped for production, and the last reported production from the well was reported in August 1996.
7. BJT should be ordered to plug the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) because it does not possess a legal right to operate the well, the well is not equipped for production, and the last reported production from the well was reported in April 1993.
8. BJT should be ordered to plug the Posey (12138) Lease, Well No. 1 because it does not possess a legal right to operate the well and the well is not equipped for production.
9. The Posey (12138) Lease Well No. 1A should be sealed until such time that BJT provides evidence of a good faith claim of a continuing right to operate, or another operator establishes such a claim and obtains Commission approval of a Certificate of Compliance and Transportation Authority.

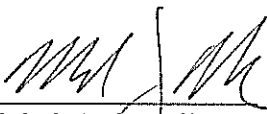
### RECOMMENDATION

The examiner recommends the plugging extensions for the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field, the Posey (12138) Lease, Well No. 1, Nixon Field, and, the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field, Wilson County, Texas remain canceled for the failure to provide evidence of a good faith claim of a continuing right to operate the wells at the request of the Commission. The examiner further recommends BJT be ordered to plug the the Sample Unit (14027) Lease, Well No. 2, Stockdale, E. (Chalk, Upper) Field, the Posey (12138) Lease, Well No. 1, Nixon Field, and, the Hardin, A. T. -B- Lease, Well No. 1 (RRC Gas ID No. 088443) Stockdale (Carrizo) Field, Wilson County, Texas.

The examiner does not recommend that BJT be ordered to plug the Posey (12138) Lease Well No. 1A, as that well is capable of production. However, BJT has not established a good faith claim of a right to operate the well. Accordingly, it is recommended that the Posey (12138) Lease Well No. 1A be sealed until such time that BJT provides evidence of a good faith claim of a continuing right to operate, or another operator establishes such a claim and obtains Commission approval of a Certificate of Compliance and Transportation Authority.

The examiner further recommends that a separate Enforcement action be brought against BJT and/or Alcor with respect to the removal of the seal, the false filings of production reports, and any other violations of the Texas Natural Resources Code and Commission rules made by BJT and/or Alcor.

Respectfully submitted,

  
\_\_\_\_\_  
Mark Helmueller  
Hearings Examiner