

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

OIL & GAS DOCKET NO. 01-0252224

ENFORCEMENT ACTION AGAINST E & W OIL, INC. (OPERATOR NO. 238520) FOR VIOLATIONS OF STATEWIDE RULES ON THE JOE BUNCH (03385) LEASE, WELL NOS. 1, 2, 3, 4, 5, AND 6, LULING-BRANYON FIELD, CALDWELL COUNTY, TEXAS

ORDER GRANTING MOTION FOR REHEARING

The Commission has considered on its merits the Motion for Rehearing filed by E & W Oil, Inc., on March 6, 2008, and the Motion is granted for the limited purposes of amending certain findings of fact and a conclusion of law adopted in the Final Order served February 13, 2008, as set forth herein, and amending Item 1 in the first ordering paragraph of the said Final Order to require that the subject wells be plugged or otherwise placed into compliance with Commission rules.

It is accordingly **ORDERED** that Findings of Fact Nos. 5, 7f, 7g, 9, and 15, and Conclusion of Law No. 5 adopted in the Final Order served February 13, 2008, are amended as set forth below, and, as amended, are adopted. Except to the extent amended herein, findings of fact and conclusions of law adopted in the Final Order served February 13, 2008, are affirmed.

AMENDED FINDING OF FACT NO. 5

5. As of the date of the hearing in this docket, the Form P-5 organization report of E & W had been delinquent since December 1, 2007. On January 7, 2008, E & W's Form P-5 renewal was approved. E & W's Form P-5 organization report is now active, and E & W has approved financial assurance on file in the amount of \$50,000.

AMENDED FINDING OF FACT NO. 7f

- 7f. Well Nos. 1, 2, 3, 5, and 7 on the subject lease did not have Statewide Rule 14(b)(2) plugging extensions between August 5, 1999, when the subject lease was severed for H-15 (Test on an Inactive Well More than 25 Years Old) delinquency, and July 23, 2007, when plugging extensions were renewed after successful H-15 tests were performed. The plugging extensions approved on July 23, 2007, expired on November 30, 2007, when E & W failed to renew its Form P-5 organization report on December 1, 2007. Thereafter, E & W did not qualify for plugging extensions based on its failure to submit evidence, upon request, that it had a good faith claim of right to operate the wells, until such evidence was submitted on March 6, 2008.

AMENDED FINDING OF FACT NO. 7g

- 7g. Well No. 4 on the subject lease has been denied a Statewide Rule 14(b)(2) plugging extension since at least October 26, 2002, based on delinquency of a required mechanical integrity test. This well has not been qualified for a plugging extension since October 30, 1996, when a mechanical integrity test required as of that date was not performed. This problem was not resolved until a successful mechanical integrity test was performed on February 21, 2008.

AMENDED FINDING OF FACT NO. 9

9. At the time of the hearing in this docket, Well No. 4 had last had a successful mechanical integrity test on April 28, 1989, whereas this well is required to be pressure tested successfully at least once every five years pursuant to Statewide Rule 9(12). A mechanical integrity test was performed on this well on December 10, 2007, but the well failed the test. A successful mechanical integrity test was performed on the well on February 21, 2008.

AMENDED FINDING OF FACT NO. 15

15. Subsequent to the hearing in this docket, on March 6, 2008, E & W provided the Commission with a copy of an oil and gas lease covering the property where the subject wells are located, sufficient to establish that E & W has a good faith claim of a continuing right to operate these wells.

AMENDED CONCLUSION OF LAW NO. 5

5. E & W Oil, Inc., violated Statewide Rule 9(12) by failing timely to perform a successful mechanical integrity test on the Joe Bunch (03385) Lease, Well No. 4, Luling-Branyon Field, Caldwell County, Texas. Well No. 4 was out of compliance with Statewide Rule 9(12) from October 30, 1996, until February 21, 2008.


It is further **ORDERED** that within 30 days from the day immediately following the date this order becomes final:

1. E & W Oil, Inc., shall plug or otherwise place into compliance with Commission rules the Joe Bunch (03385) Lease, Well Nos. 1, 2, 3, 4, 5, and 6, Luling-Branyon Field, Caldwell County, Texas; and
2. E & W Oil, Inc., shall remit to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTEEN THOUSAND DOLLARS (\$13,000)**.

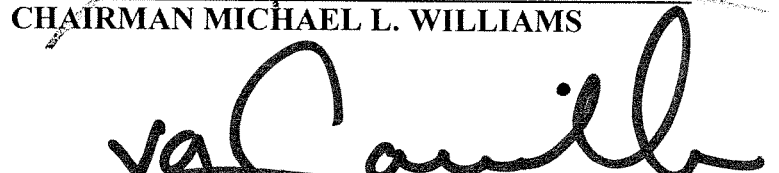
It is further **ORDERED** that except to the extent granted herein, the Motion for Rehearing is **DENIED**.

Done this 8th day of April 2008, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN MICHAEL L. WILLIAMS


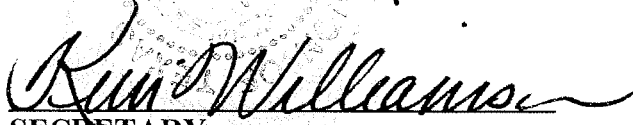


COMMISSIONER VICTOR G. CARRILLO



COMMISSIONER ELIZABETH A. JONES

ATTEST:

SECRETARY