

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 20-0284998

IN RE: P-5 ORGANIZATION REPORT OF LAKE CHEROKEE PRODUCTION, LLC

FINAL ORDER

The Commission finds that after notice and an opportunity for hearing regarding the captioned matter, the Operator failed to request a hearing and pay the hearing fee as required by 16 TEX. ADMIN. CODE §3.15(g)(4) and TEX. NAT. RES. CODE §89.022(f). This matter 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. Lake Cherokee Production, LLC [Operator #482507] (the "Operator"), is the record operator or one or more inactive wells in the State of Texas and is required to file Organization Report (Form P-5) with the Commission. Operator's most recent P-5 was due on or before June 1, 2013.
2. After filing its most recent Organization Report (Form P-5) with the Commission, the Operator was notified they were deficient and had failed to comply with the requirements of 16 TEX. ADMIN. CODE § 3.15 (Surface Equipment Removal Requirements and Inactive Wells) and provided with a written statement of the reasons for the determination and allowed ninety (90) days from the date its P-5 was due to comply with the requirements of 16 TEX. ADMIN. CODE § 3.15 and TEX. NAT. RES. CODE §§89.021 - 89.030.
3. After the expiration of ninety (90) days and pursuant to 16 TEX. ADMIN CODE §3.15(g)(4), an authorized Commission employee determined that the Operator's Organization Report still could not be renewed because the Operator continued to fail to comply with the requirements of 16 TEX. ADMIN. CODE §3.15 (Surface Equipment Removal Requirements and Inactive Wells).
4. The Commission sent the Operator a letter by certified mail giving notice to the Operator of the determination of continued non-compliance regarding specified inactive wells, attached as Exhibit A to this order, and advising the Operator of the right to request a hearing to show compliance. The letter notified the Operator that the hearing request must be received in docket services no later than 30 days after the date of the letter. The letter also notified the Operator that a final order denying renewal of the Operator's Organization Report (Form P-5) would result in the cancellation of all P-4 Certificates of Compliance and the severance of all pipeline or other carrier connections.

5. All notices and letters from the Commission to the Operator on this matter were addressed and mailed to the Operator's most recently reported address on the Form P-5 Organization Report.
6. The Operator did not timely request a hearing and pay the hearing fee on these issues as required under 16 TEX. ADMIN. CODE §3.15(g)(4) (Surface Equipment Removal Requirements and Inactive Wells).
7. Statewide Rule 15 (16 TEX. ADMIN. CODE §3.15) is a Commission rule that relates to safety or the prevention or control of pollution.

CONCLUSIONS OF LAW

1. The Operator received proper notice and an opportunity for hearing regarding compliance with 16 Tex. Admin. Code §3.15 and Tex. Nat. Res. Code §§89.021 - 89.030.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this matter have been performed or have occurred.
3. The Operator is in violation of Commission Statewide Rule 15 and did not timely request a hearing to contest the determination that it was in violation.
4. The Operator's P-5 Organization Report should not be renewed and all of the Operator's P-4 Certificates of Compliance should be cancelled, with all related pipeline or other carrier connections severed. 16 Tex. Admin. Code §3.15 (g)(4) and Tex. Nat. Res. Code §§89.022(f), 91.704 - 91.706.
5. The Operator's P-5 Organization Report cannot be renewed until the operator brings the inactive wells shown on the attached Exhibit A into compliance with the requirements of 16 Tex. Admin. Code §3.15 and Tex. Nat. Res. Code §§89.021 - 89.030.

IT IS ORDERED that renewal of Lake Cherokee Production, LLC's P-5 Organization Report is hereby **DENIED**.

It is further ORDERED that all P-4 Certificates of Compliance issued to Lake Cherokee Production, LLC as operator of record are hereby **CANCELLED** and all related pipeline or other carrier connections are hereby **SEVERED**.

It is further ORDERED that Lake Cherokee Production, LLC shall bring the wells on Exhibit A into compliance with Statewide Rule 15 (16 TEX. ADMIN. CODE §3.15) and that the Operator's P-5 Organization Report shall not be renewed until the wells on Exhibit A have been brought into compliance as required by this order.

It is further ORDERED that Lake Cherokee Production, LLC and each person who held a position of ownership or control in the Operator at the time the Operator's most-recent P-5 Organization Report was filed shall be subject to the terms of TEX. NAT. RES. CODE §91.114.

It is further ORDERED by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T. CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

All requested Findings of Fact and Conclusions of Law which are not expressly adopted herein are **DENIED**. All pending motions and request for relief not previously granted or granted herein are **DENIED**.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Rule 15 Inactive Well
Master Order dated November 12, 2013.)

| API No. | Dist | ID No. | Lease Name | Well No. |
|---|------|--------|--------------------|----------|
| 187 02456 | 01 | 00868 | CLIFT, J. D. | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02457 | 01 | 00868 | CLIFT, J. D. | 2 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02458 | 01 | 00868 | CLIFT, J. D. | 3 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02459 | 01 | 00868 | CLIFT, J. D. | 4 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02460 | 01 | 00868 | CLIFT, J. D. | 5 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02461 | 01 | 00868 | CLIFT, J. D. | 6 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02462 | 01 | 00868 | CLIFT, J. D. | 10 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02667 | 01 | 00864 | HURLEY, EUGENE -B- | 5 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02670 | 01 | 00864 | HURLEY, EUGENE -B- | 8 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02672 | 01 | 00864 | HURLEY, EUGENE -B- | 10 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |

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Exhibit A

| | | | | |
|---|----|-------|--------------------|----|
| 187 02675 | 01 | 00864 | HURLEY, EUGENE -B- | 13 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02684 | 01 | 00865 | SMITH, HORACE -A- | 4 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02685 | 01 | 00865 | SMITH, HORACE -A- | 5 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02686 | 01 | 00865 | SMITH, HORACE -A- | 6 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 failure preventing 14(b)(2) approval | | | | |
| 187 02687 | 01 | 00865 | SMITH, HORACE -A- | 7 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 failure preventing 14(b)(2) approval | | | | |
| 187 02699 | 01 | 00862 | HURLEY, EUGENE | 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02702 | 01 | 00862 | HURLEY, EUGENE | 4 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 02704 | 01 | 00862 | HURLEY, EUGENE | 6 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 failure preventing 14(b)(2) approval | | | | |
| 187 02706 | 01 | 00862 | HURLEY, EUGENE | 8 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 31049 | 01 | 06094 | KNAPP, LEO | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 31630 | 01 | 06094 | KNAPP, LEO | 4 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |

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Exhibit A

| | | | | |
|---|----|-------|-------------------------------|----|
| 187 31631 | 01 | 06094 | KNAPP, LEO | 6 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 31924 | 01 | 00862 | HURLEY, EUGENE | 14 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 31925 | 01 | 00862 | HURLEY, EUGENE | 13 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 31926 | 01 | 00862 | HURLEY, EUGENE | 15 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 31940 | 01 | 07672 | MATTKE, C.J. ET AL | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 32056 | 01 | 07672 | MATTKE, C.J. ET AL | 2 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 32058 | 01 | 06094 | KNAPP, LEO | 3 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 32169 | 01 | 11455 | HARRIS, HARTFIELD, BROOKS -D- | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 32183 | 01 | 08280 | MATTKE, C.J. -A- | 1A |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 32187 | 01 | 08280 | MATTKE, C.J. -A- | 2A |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |

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Exhibit A

| | | | | |
|---|----|-------|--------------------|----|
| 187 32620 | 01 | 00868 | CLIFT, J. D. | 7 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 32855 | 01 | 07672 | MATTKE, C.J. ET AL | 1X |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 32920 | 01 | 10269 | MATTKE, C.J. -B- | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 33011 | 01 | 10269 | MATTKE, C.J. -B- | 2 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80079 | 01 | 00863 | HURLEY, EUGENE -A- | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80080 | 01 | 00863 | HURLEY, EUGENE -A- | 2 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 failure preventing 14(b)(2) approval | | | | |
| 187 80081 | 01 | 00863 | HURLEY, EUGENE -A- | 3 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80082 | 01 | 00863 | HURLEY, EUGENE -A- | 6 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 failure preventing 14(b)(2) approval | | | | |
| 187 80083 | 01 | 00863 | HURLEY, EUGENE -A- | 7 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80086 | 01 | 00864 | HURLEY, EUGENE -B- | 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80087 | 01 | 00864 | HURLEY, EUGENE -B- | 2 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |

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Exhibit A

| | | | | |
|---|----|-------|----------------------|---|
| 187 80088 | 01 | 00864 | HURLEY, EUGENE -B- | 3 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80093 | 01 | 00865 | SMITH, HORACE -A- | 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80251 | 01 | 01844 | SMITH, HORACE -B- | 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80252 | 01 | 01844 | SMITH, HORACE -B- | 2 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80253 | 01 | 01844 | SMITH, HORACE -B- | 3 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80254 | 01 | 01844 | SMITH, HORACE -B- | 4 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 187 80255 | 01 | 01844 | SMITH, HORACE -B- | 7 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00258 | 01 | 02039 | HIGGINS, PATILLO JR. | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00259 | 01 | 02039 | HIGGINS, PATILLO JR. | 2 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00260 | 01 | 02039 | HIGGINS, PATILLO JR. | 3 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00261 | 01 | 02039 | HIGGINS, PATILLO JR. | 4 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |

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Exhibit A

| | | | | |
|---|----|-------|----------------------|-----|
| 493 00262 | 01 | 02039 | HIGGINS, PATILLO JR. | 5 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00273 | 01 | 01937 | JARUTOWICZ, ANTON | 3 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00274 | 01 | 01937 | JARUTOWICZ, ANTON | 4 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00285 | 01 | 01937 | JARUTOWICZ, ANTON | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 00500 | 01 | 02338 | HIGGINS, PAT | 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 30568 | 01 | 06150 | MCDANIEL, H.E. | A 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 30596 | 01 | 06084 | MCDANIEL, H.E. | 8 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 30665 | 01 | 06304 | JARUTOWITZ | 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 30678 | 01 | 06084 | MCDANIEL, H.E. | 1 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 30681 | 01 | 06084 | MCDANIEL, H.E. | 2 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 31085 | 01 | 02039 | HIGGINS, PATILLO JR. | 7 |
| Surface equipment must be removed (certify on Form W-3C) | | | | |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |

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Exhibit A

| | | | | |
|---|----|-------|----------------|----|
| 493 31603 | 01 | 09943 | KING, W.H. | 1 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |
| 493 80297 | 01 | 06661 | MCDANIEL, H.E. | 10 |
| No approved W-3X on file | | | | |
| Must resolve Field Operations H-15 delinquency preventing 14(b)(2) approval | | | | |

Insufficient progress on 10-year inactive wells: For wells shut-in at least 10 years as of September 1, 2010, operators were given five years to address the surface equipment removal requirements. For your Organization Report renewal on June 1, 2013, Rule 15(i) requires that you be at least 40% complete with this process. Current W-3C records indicate that you have not met this requirement (0% of your phase-in wells show that you have completed the surface cleanup). Your Organization Report renewal cannot be approved until you have met this requirement and have filed the appropriate Commission forms to update our records.

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Exhibit A