

**RAILROAD COMMISSION OF TEXAS
HEARINGS SECTION**

OIL AND GAS DOCKET NO. 7B-0308753

APPLICATION OF L.C.S. PRODUCTION COMPANY TO SUPERSEDE PORTIONS OF THE FINAL ORDER IN OIL & GAS DOCKET NO. 7B-0297226: ENFORCEMENT ACTION AGAINST CRYSTAL RIVER OIL & GAS, LLC (191683) FOR VIOLATIONS OF STATEWIDE RULES ON THE SCOGGINS, FLOSSIE E. (04185) LEASE, WELL NOS. 1, 2, 3, 4, 5, 6, 7, 8, 9, AND 10, THE SCOGGINS, FLOSSIE E. -A- (04186) LEASE, WELL NOS. 2, 4, AND 5, AND THE SCOGGINS UNIT (14005) LEASE, WELL NOS. 3 AND 4, ASPERMONT LAKE (CANYON SAND) FIELD, STONEWALL COUNTY, TEXAS AND ENABLE L.C.S. PRODUCTION COMPANY TO BECOME OPERATOR OF RECORD AND PRODUCE SELECTED WELLS.

FINAL ORDER

The Commission finds that after statutory notice the above-captioned proceeding was heard by the examiner and administrative law judge on January 24, 2018. 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. L.C.S. Production Company (hereinafter "L.C.S. Production") waived notice of this proceeding. L.C.S. Production appeared at the scheduled time and place for the hearing through its consultant, Dale Miller, who presented evidence and testimony in support of the application. L.C.S. Production 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. L.C.S. Production has a valid Form P-5, (Organization Report) on file with the Commission that was first filed on August 2, 1985. The most recent P-5 was filed on July 18, 2017. L.C.S. Production has posted financial assurance with the Commission in the form of a \$50,000 bond which expires December 31, 2018.
3. Crystal River Oil & Gas, LLC was recognized as the operator of the Scoggins, Flossie E. (04185) Lease, Well Nos 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, the Scoggins, Flossie E. -A- (04186) Lease, Well Nos. 2, 4, and 5, and the Scoggins Unit (14005) Lease, Well Nos. 3 and 4, (hereinafter "subject leases and wells") at the time the Final Order was issued in Oil & Gas Docket No. 7B-0297226 and it was ordered to plug the wells on these leases and pay an administrative penalty of \$96,923.00.
4. L.C.S. Production provided a copy of a new lease assigned to L.C.S. Production Company or a sister company authorizing L.C.S. Production to operate the subject lease and wells.

5. Superseding the plugging requirement in the Final Order entered in Oil & Gas Docket No. 7B-0297226 for all of the wells and in Oil & Gas Docket No. 75-0305782 for a subset of the wells that the designated wells on the Scoggins, Flossie E. Lease, the Scoggins, Flossie E. -A- Lease and the Scoggins Unit Lease is necessary to prevent waste.
 - (a) L.C.S. Production is planning a water flood project with a total eight producers and nine injectors for secondary recovery in the Aspermont Lake (Canyon Sand) field. The payout period for this investment is approximately nine months.
 - (b) L.C.S. Production plans to return designated the Scoggins, Flossie E. (04185) Lease, Well Nos. 3 and 8 as oil producers and Well Nos. 1, 4, 5, 6, 7 and 10 as injectors; the Scoggins, Flossie E. -A- (04186) Lease, Well No. 5 as an injector; and the Scoggins Unit (14005) Lease Well No. 4 as an injector, once the P-4 transfers are officially approved by this Final Order with the plugging orders rescinded and they officially become the operator of record with the right to work on the subject wells and initiate the waterflood project.
6. The requirement in the Final Order in Oil & Gas Docket 7B-0297226 that Crystal River Oil & Gas, LLC pay an administrative penalty of \$96,923.00 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. L.C.S. Production has a good faith claim of a right to operate the subject leases and the above ten remaining referenced wells that had plugging orders on the subject leases.
4. L.C.S. Production 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. The Final Order in this Docket, superseding a portion of the wells to be plugged for the Final Order entered in Oil & Gas Docket No. 7B-0297226 and also the remaining wells to be plugged that are referred to in Oil & Gas Docket No. 7B-0305782 on the Scoggins, Flossie E. Lease, the Scoggins, Flossie E. -A- Lease, and the Scoggins Unit Lease is necessary to prevent waste.
6. The Final Order in this Docket, superseding the plugging orders in Final Order in Oil & Gas Docket 7B-0297226 is effective only as to the disposition of the following wells on the Scoggins, Flossie E. (04185) Lease, Well Nos. 1, 3, 4, 5, 6, 7, 8, and 10, the Scoggins, Flossie E. -A- (04186) Lease, Well No.5, and the Scoggins Unit (14005) Lease, Well No. 4 Stonewall County, and does not relieve Crystal River of any of its obligation to pay an administrative penalty of \$96,923.00 to the Railroad Commission of Texas.
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 February 13, 2018.

8. L.C.S. Production's compliance requirement with Statewide Rules for all of the above wells on the above leases is to commence effective the date of approval of this FINAL ORDER. The wells were mistakenly transferred by the RRC to L.C.S. with a plugging order in effect. This will prevent the undue burden being placed on the new operator to timely comply with all provisions for these wells.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 7B-0292776 requiring plugging the Scoggins, Flossie E. (04185) Lease, Well Nos. 1, 3, 4, 5, 6, 7, 8, and 10, the Scoggins, Flossie E. -A- (04186) Lease, Well No.5, and the Scoggins Unit (14005) Lease, Well No. 4, Stonewall County, is hereby superseded. All other provisions of the two prior 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 L.C.S. Production to change the operator of the Scoggins, Flossie E. (04185) Lease, Well Nos. 1, 3, 4, 5, 6, 7, 8, and 10, the Scoggins, Flossie E. -A- (04186) Lease, Well No.5, and the Scoggins Unit (14005) Lease, Well No. 4 on Aspermont Lake (Canyon Sand) Field, Stonewall County, from Crystal River Oil & Gas, LLC to L.C.S. Production Company are hereby **APPROVED** effective February 13, 2018 and that date be used for all compliance with all Statewide Rules regarding transfer of operations and the time allowed for L.C.S. Production to get these newly transferred wells into compliance.

It is further **ORDERED** by the Commission that this order shall be effective on February 13, 2018, when the Master Order relating to this Final Order is signed.

All pending motions not previously granted are hereby denied.

Done this 13th day of February 2018 in Austin, Texas

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
February 13, 2018)**