

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

OIL AND GAS DOCKET NO. 01-0266607

APPLICATION OF STONEGATE OPERATORS, INC. TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER IN DOCKET NO. 01-0258241 SIGNED ON SEPTEMBER 29, 2009 REQUIRING THE PLUGGING OF WELL NO. 2, HARDEMAN, J.W. (07983) LEASE, LULING-BRANYON FIELD, CALDWELL COUNTY, TEXAS, ENABLING STONEGATE OPERATORS, INC. 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 17, 2010. 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. Stonegate Operators, Inc. (hereinafter "Stonegate") and Rockland Oil Company (hereinafter "Rockland") were given at least 10 days notice of this proceeding. Stonegate appeared at the scheduled time and place for the hearing through its Vice-President, Max Mohamed, and presented evidence. Rockland did not appear. Stonegate 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. Stonegate filed its first Commission Form P-5 (Organization Report) with the Commission on March 10, 2010. Stonegate has posted financial assurance with the Commission in the form of a \$50,000 Letter of Credit which expires July 8, 2011.
3. Rockland was recognized as the operator of the Hardeman, J.W. (07983) Lease, Well No. 2 (hereinafter "subject lease and well") after filing Commission Forms P-4 (Producer's Transportation Authority and Certificate of Compliance), effective October 1, 2007.
4. In Oil & Gas Docket No. 01-0258241, Rockland was ordered to plug the Hardeman, J.W. (07983) Lease, Well No. 2, and pay an administrative penalty of \$4,500.
5. Stonegate provided a copy of a lease dated February 26, 2010 with a one year primary term on the subject well granted by Lena Bell Heard to Venture Oil & Gas, Inc. (hereinafter "Venture") and an Assignment of Lease from Venture to Stonegate.

6. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 01-0258241 that the Hardeman, J.W. (07983) Lease, Well No. 2 be plugged is necessary to prevent waste.
 - (a) Stonegate introduced an engineering report indicating the subject well may produce 2 BOPD, an amount uneconomical when the well last produced in 1993, but economical today.
 - (b) Stonegate plans to re-enter the well, re-complete it and produce it. In the event no reserves are found, Stonegate will plug the well.
7. The requirement in the Final Order in Oil & Gas Docket 01-0258241 that Rockland 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. Stonegate has a good faith claim of a right to operate the subject lease.
4. Stonegate 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. 01-0258241 requiring plugging of Well No. 2 on the Hardeman, J.W. (07983) Lease, Caldwell County, is necessary to prevent waste.
6. The Final Order in this Docket superceding the Final Order in Oil & Gas Docket 01-0258241 is effective only as to the disposition of Well No. 2 on the Hardeman, J.W. (07983) Lease, Caldwell County, and does not relieve Rockland of its obligation to pay an administrative penalty of \$4,500.00 to the Railroad Commission.
7. Pursuant to §2001.144(a)(4) of the Texas Government Code, and the agreement of Stonegate, this Final Order is effective when a Master Order relating to this Final Order is signed on September 14, 2010.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 01-0258241 requiring plugging of Well No. 2 on the Hardeman, J.W. (07983) Lease, Caldwell 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 Stonegate to change the operator of Well No. 2 on the Hardeman, J.W. (07983) Lease, Luling-Branyon Field, Caldwell County, from Rockland to Stonegate is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on September 14, 2010, 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 14th day of September, 2010, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
September 14, 2010)**