

**RAILROAD COMMISSION OF TEXAS
HEARINGS SECTION**

OIL & GAS DOCKET NO. 01-0278300

APPLICATION OF R & S OIL PRODUCTION CO. TO SUPERCEDE THE FINAL ORDER SIGNED MARCH 25, 2003, IN OIL AND GAS DOCKET NO. 01-0232366 ORDERING THE PLUGGING OF WELL NO. 2 ON THE FEHRENKAMP, F. LEASE, EL TORO SOUTH (5600) FIELD, JACKSON COUNTY, TEXAS, AND FURTHER TO APPROVE APPLICANT AS THE OPERATOR OF RECORD

FINAL ORDER

The Commission finds that after statutory notice, the captioned proceeding was heard by the examiners on October 9, 2012. This proceeding was 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. At least 10 days notice of this proceeding was given to R & S Oil Production Co. (“R & S”) and Thrall Operating Company, Inc. (“*Thrall*”). R & S appeared at the hearing on October 9, 2012, and presented evidence. No person appeared at the hearing in opposition to the application. R & S has waived the issuance of a proposal for decision in this docket and has agreed, in writing, that this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.
2. On March 25, 2003, the Commission signed a Final Order in Oil & Gas Docket No. 01-0232366 requiring, among other things, that Thrall plug the McEver, C.D. -C- (08248) Lease, Well Nos. 5, 8, and 12, and the McEver, C.D. -D- (09068) Lease, Well Nos. 6, 9, and 13 (the “*subject wells*”), in the Kens (Serpentine) Field, Guadalupe County, Texas.
3. Thrall has not complied with the Final Order in Oil & Gas Docket No. 01-0232366 by plugging the subject wells, and Thrall presently is designated operator of the subject wells on the records of the Commission. The Commission has officially noticed that the Form P-5 Organization Report of Thrall has been delinquent since May 1, 2001.
4. R & S has filed with the Commission Form P-4s (Certificate of Compliance and Transportation Authority) requesting a change of operator of the subject wells from Thrall to R & S.
5. On September 7, 2012, R & S filed with the Commission a request for a hearing to consider whether the Commission should enter an order superceding the Final Order in Oil & Gas Docket No. 01-0232366 insofar as it required that the subject wells be plugged.
6. R & S has an active Form P-5 organization report and approved financial assurance on file in the amount of \$50,000. R & S’s amount of financial assurance is sufficient to cover the subject wells in the event they are transferred to R & S.

7. R & S has a good faith claim to a right to operate the subject wells.
 - a. R & S, as lessee, has entered into an Oil, Gas, and Mineral Lease with the mineral owners of approximately 1,070 acres of land on which the subject wells are located. The lease is dated February 20, 2009, and has a primary term of one year.
 - b. R & S currently operates wells on the McEver, C.D. -B- (07193) Lease, which is located within the acreage covered by the February 2009 lease. R & S has reported continuous production from the McEver, C.D. -B- Lease since August 2009. Due to this continuous production, the 2009 lease is currently in effect.
8. Superseding the Final Order in Oil & Gas Docket No. 01-0232366 insofar as it required that the subject wells be plugged and permitting R & S to become the designated operator of the subject wells likely will prevent the ultimate loss of hydrocarbons.
 - a. R & S believes that the subject wells can be restored to active production.
 - b. R & S operates several producing wells on the adjacent and surrounding McEver, C.D. -B- Lease. Based on the production from these surrounding wells and the initial production rates of the subject wells, R & S believes that the subject wells will be as, or more, productive than the surrounding wells. R & S expects that after a higher initial production rate, the subject wells will stably produce about two to five barrels of oil per day.
 - c. Use of the subject wells to recover remaining hydrocarbons from the subject leases will be more practical and economical than drilling new wells to recover the same reserves.
9. There is no affiliation between R & S and Thrall.
10. There is no evidence that superseding the Final Order in Oil & Gas Docket No. 01-0232366 insofar as it required that the subject wells be plugged and permitting R & S to become the designated operator of the wells will endanger natural resources or circumvent Commission rules.

Conclusions of Law

1. The Railroad Commission timely issued proper notice of hearing 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. R & S is an active operator and has sufficient financial assurance on file with the Commission pursuant to Texas Natural Resources Code §§ 91.104, 91.1042, and 91.107.

4. Conditions respecting the subject wells have changed since issuance of the Commission's Final Order in Oil & Gas Docket No. 01-0232366.
5. R & S has a good faith claim to a current right to operate the subject wells.
6. Superseding the Final Order in Oil & Gas Docket No. 01-0232366 insofar as it required that the subject wells be plugged and permitting R & S to become the designated operator of the wells will promote conservation of natural resources and prevention of waste pursuant to Texas Natural Resources Code § 85.201.
7. Pursuant to Texas Government Code § 2001.144(a)(4), and the agreement and consent of all parties, this Final Order is effective when a Master Order relating to this Final Order is signed on November 6, 2012.

It is accordingly **ORDERED** that the Final Order signed March 25, 2003, in Oil and Gas Docket No. 01-0232366 is hereby superseded only insofar as it required that the McEver, C.D. -C- (08248) Lease, Well Nos. 5, 8, and 12, and the McEver, C.D. -D- (09068) Lease, Well Nos. 6, 9, and 13, Kens (Serpentine) Field, Guadalupe County, Texas, be plugged. All other provisions of the Final Order in Oil and Gas Docket No. 01-0232366 remain in full force and effect.

It is further **ORDERED** that the Form P-4s (Certificate of Compliance and Transportation Authority) filed with the Commission requesting a change of operator of the McEver, C.D. -C- (08248) Lease, Well Nos. 5, 8, and 12, and the McEver, C.D. -D- (09068) Lease, Well Nos. 6, 9, and 13, Kens (Serpentine) Field, Guadalupe County, Texas, from Thrall Exploration to R & S Oil Production Co. are hereby **APPROVED**.

It is further **ORDERED** that this Final Order shall be effective on November 6, 2012, 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 6th day of November 2012 in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by Unprotested Master Order dated
November 6, 2012.)**