

**RAILROAD COMMISSION OF TEXAS
HEARINGS SECTION**

OIL & GAS DOCKET NO. 02-0277592

APPLICATION OF ACOCK/ANAQUA OPERATING CO., LP TO SUPERCEDE THE FINAL ORDER SIGNED JULY 22, 2003, IN OIL AND GAS DOCKET NO. 02-0233602 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 September 7, 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 Acock/Anaqua Operating Co., LP (“*Acock Anaqua*”) and Cary Glenn Carmack d/b/a Island Exploration (“*Island*”). Acock Anaqua appeared at the hearing on September 7, 2012, and presented evidence. No person appeared at the hearing in opposition to the application. Acock Anaqua 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 July 22, 2003, the Commission signed a Final Order in Oil & Gas Docket No. 02-0233602 requiring, among other things, that Island plug the Fehrenkamp, F. (02632) Lease, Well No. 2 (the “*subject well*”), in the El Toro South (5600) Field, Jackson County, Texas.
3. Island has not complied with the Final Order in Oil & Gas Docket No. 02-0233602 by plugging the subject well, and Island presently is designated operator of the subject well on the records of the Commission. The Commission has officially noticed that the Form P-5 Organization Report of Island has been delinquent since February 1, 2002.
4. Acock Anaqua has filed with the Commission a Form P-4 (Certificate of Compliance and Transportation Authority) requesting a change of operator of the subject well from Island to Acock Anaqua.
5. On July 25, 2012, Acock Anaqua 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. 02-0233602 insofar as it required that the subject well be plugged.
6. Acock Anaqua has an active Form P-5 organization report and approved financial assurance on file in the amount of \$250,000. Acock Anaqua’s amount of financial

- assurance is sufficient to cover the subject well in the event it is transferred to Acock Anaqua.
7. Acock Anaqua has a good faith claim to a right to operate the subject well.
 - a. Anaqua Exploration & Production Co., LP, as lessee, has entered into four Oil, Gas, and Mineral Leases with the mineral owners of approximately 80 acres of land on which the subject well is located. The leases are dated April 6, 2010, April 26, 2010, May 5, 2010, and May 25, 2010. They all have a primary term of three years and are currently in effect.
 8. Superceding the Final Order in Oil & Gas Docket No. 02-0233602 insofar as it required that the subject well be plugged and permitting Acock Anaqua to become the designated operator of the subject well likely will prevent the ultimate loss of hydrocarbons.
 - a. The subject well was permitted as an injection well and ceased injection on or before April 1994. Acock Anaqua intends to restore injection through the subject well.
 - b. Acock Anaqua operates a producing well, the Wolff No. 1, on the same 80 acres on which the subject well is located. The Wolff No. 1 produces from a waterdrive reservoir, and Acock Anaqua expects the water cut to increase with time. Produced water for August 2012 amounted to 1,684 barrels. Currently Acock Anaqua trucks the produced water to an off-lease commercial disposal well.
 - c. Using the subject well to dispose of produced water instead of trucking the water off-lease for disposal would significantly reduce the cost to dispose of produced water. Reduced water-disposal cost would increase the economic limit of the Wolff No. 1 and result in greater cumulative production of hydrocarbons.
 - d. Use of the subject well to dispose of produced water from the Wolff No. 1 will be more practical and economical than drilling a new well to dispose of the same water.
 9. There is no affiliation between Acock Anaqua and Island.
 10. There is no evidence that superceding the Final Order in Oil & Gas Docket No. 02-0233602 insofar as it required that the subject well be plugged and permitting Acock Anaqua to become the designated operator of the well 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. Acock Anaqua 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 well have changed since issuance of the Commission's Final Order in Oil & Gas Docket No. 02-0233602.
5. Acock Anaqua has a good faith claim to a current right to operate the subject well.
6. Superceding the Final Order in Oil & Gas Docket No. 02-0233602 insofar as it required that the subject well be plugged and permitting Acock Anaqua to become the designated operator of the well 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 July 22, 2003, in Oil and Gas Docket No. 02-0233602 is hereby superceded only insofar as it required that the Fehrenkamp, F. (02632) Lease, Well No. 2, El Toro South (5600) Field, Jackson County, Texas, be plugged. All other provisions of the Final Order in Oil and Gas Docket No. 02-0233602 remain in full force and effect.

It is further **ORDERED** that the Form P-4 (Certificate of Compliance and Transportation Authority) filed with the Commission requesting a change of operator of the Fehrenkamp, F. (02632) Lease, Well No. 2, El Toro South (5600) Field, Jackson County, Texas, from Island Exploration to Acock/Anaqua Operating Co., LP is 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.)**