

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

OIL & GAS DOCKET NO. 03-0267263

APPLICATION OF STONEGATE OPERATORS, INC., TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER ENTERED ON SEPTEMBER 29, 2009, IN DOCKET NO. 03-0260491 REQUIRING THE PLUGGING OF WELL NO. 3, CAMPBELL (10085) LEASE, MUSCADINE (WILCOX 8400) FIELD, TYLER COUNTY, TEXAS, ENABLING STONEGATE OPERATORS, INC., TO BECOME THE OPERATOR OF RECORD

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by the examiner on October 5, 2010. The proceeding 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. At least 10 days notice of this hearing was given to Stonegate Operators, Inc. ("Stonegate") and Rockland Oil Company ("Rockland"). Stonegate appeared at the hearing on October 5, 2010, and presented evidence. No person appeared at the hearing in opposition to the application. Stonegate has waived the issuance of a proposal for decision in this docket, and has agreed, on the record, that this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.
2. By Final Order in Oil & Gas Docket No. 03-0260491 signed on September 29, 2009, the Commission ordered that Rockland plug the Campbell (10085) Lease, Well No. 3, Muscadine (Wilcox 8400) Field, Tyler County, Texas ("subject well").
3. Rockland has not complied with the Final Order in Oil & Gas Docket No. 03-0260491 by plugging the subject well and remains the designated operator of the well on the records of the Commission. Rockland's Form P-5 organization report has been delinquent since October 1, 2009.
4. There is no affiliation between Stonegate and Rockland by ownership, management, or otherwise.

5. Stonegate has filed a two-signature Form P-4 (Certificate of Compliance and Transportation Authority), executed on behalf of both Stonegate and Rockland, requesting a change of operator for the subject lease and well from Rockland to Stonegate. In addition, on August 17, 2010, Stonegate filed a request for the hearing in this docket to consider whether the Final Order in Oil & Gas Docket No. 03-0260491 should be superceded insofar as it ordered that the subject well be plugged.
6. Stonegate has an active Form P-5 organization report and approved financial assurance on file in the amount of \$50,000. Stonegate's financial assurance is in an amount sufficient under Statewide Rule 78 to cover the wells now operated by Stonegate and the well which is the subject of this docket.
7. Stonegate has a good faith claim to a current right to operate the subject lease and well by virtue of an assignment to Stonegate of a working interest in a May 6, 2010, Oil and Gas Lease between Linda Wong, Et Al., lessors, and Venture Oil & Gas, Inc., lessee, covering 230 acres of land in Tyler County. The May 6, 2010, Oil and Gas Lease has a primary term of one year, which is still in effect. On May 10, 2010, Venture Oil & Gas, Inc., assigned a ten percent working interest in the May 6, 2010, Oil and Gas Lease to Stonegate.
8. Superceding the Final Order in Oil & Gas Docket No. 03-0260491 insofar as it ordered that the subject well be plugged, and permitting Stonegate to become the designated operator of the well, likely will prevent the ultimate loss of hydrocarbons. A geologic summary with a log cross section of the Muscadine Field demonstrated that there is a significant amount of oil in the reservoir yet to be recovered. A professional engineer retained by Stonegate has estimated that recoverable oil remaining in the subject well is 37,800 barrels of oil from the present zone of completion.
9. There is no evidence that superceding the Final Order in Oil & Gas Docket No. 03-0260491 insofar as it ordered the subject well to be plugged, and permitting Stonegate to become the designated operator of the well, will endanger natural resources or circumvent Commission rules.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued by the Railroad Commission 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. Stonegate Operators, Inc., 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. 03-0260491.

5. Stonegate Operators, Inc., has a good faith claim of a current right to operate the subject well.
6. Superseding the Final Order in Oil & Gas Docket No. 03-0260491 insofar as it required that the subject well be plugged, and permitting Stonegate Operators, Inc., 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 2, 2010

It is accordingly **ORDERED** that the Final Order in Oil & Gas Docket No. 03-0260491 signed on September 29, 2009, is hereby superseded only insofar as it required plugging of the Campbell (10085) Lease, Well No. 3, Muscadine (Wilcox 8400) Field, Tyler County, Texas. All other provisions of the Final Order in Oil & Gas Docket No. 03-0260491 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 Campbell (10085) Lease, Well No. 3, Muscadine (Wilcox 8400) Field, Tyler County, Texas, from Rockland Oil Company to Stonegate Operators, Inc., is hereby **APPROVED**.

It is further **ORDERED** that this Final Order shall be effective on November 2, 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 2nd day of November 2010, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
November 2, 2010)**

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