

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET NO. 04-0269080

APPLICATION OF L&B OIL AND GAS EQUIPMENT, LLC TO SUPERCEDE THE FINAL ORDER IN OIL AND GAS DOCKET NO. 04-0219222 ISSUED OCTOBER 25, 2000 REQUIRING THE PLUGGING OF THE SAENZ, F.M. UNIT, WELL NO. 1A (RRC No. 112520), STARR COUNTY NE (K-1 GAS 4204) FIELD, STARR COUNTY, TEXAS, ENABLING L&B OIL AND GAS EQUIPMENT, LLC 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 February 15, 2011. 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&B Oil and Gas Equipment, LLC (hereinafter "L&B") and Score Energy Company (hereinafter "Score") were given at least 10 days notice of this proceeding. L&B appeared at the scheduled time and place for the hearing through its representative Fred Soliz. Score did not appear. L&B has agreed on the record that this Final Order shall be effective as of the date a Master Order relating to this Final Order is signed.
2. L&B filed its first Commission Form P-5 (Organization Report) with the Commission on July 12, 2005 and filed its most recent Commission Form P-5 on June 11, 2010. L&B has posted financial assurance with the Commission in the form of a \$25,000 letter of credit which expires October 4, 2011.
3. Score was recognized as the operator of the Saenz, F.M. Unit, Well No. 1A (RRC ID No. 112520) (hereinafter "subject lease") after filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective April 4, 1994.
4. In Oil & Gas Docket No. 04-0219222, Score was ordered to plug the Saenz, F.M. Unit, Well No. 1A (RRC ID No. 112520) and pay an administrative penalty of \$17,000.
5. L&B has a valid lease on 40 acres of the Saenz Unit covering the applied-for well, dated July 15, 2010 and with a primary term of two years.
6. L&B is currently the Commission-recognized operator of four wells.

7. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 04-0219222 requiring that the Saenz, F.M. Unit, Well No. 1A be plugged is necessary to prevent waste.
 - (a) The subject well was drilled and completed in 1983 in the Starr County NE (K-1 Gas 4204) Field as a replacement for the Saenz Well No. 1, which produced 5.9 BCF before it developed mechanical problems and was plugged.
 - (b) The Saenz, F.M. Unit, Well No. 1A was abandoned in 1985, at a time of low gas prices. The well was producing 100 mcf/day when it was abandoned.
 - (c) The Saenz, F.M. Unit, Well No. 1A was drilled south of the Saenz No. 1 and slightly down-structure of that well, but its location is up-structure of the Gonzales BP No. 1. which produced 5.6 BCF.
 - (d) L&B anticipates that the subject well will produce at a rate of 100 mcf/day initially and at a rate between 75 and 125 mcf/day over the next five years.
 - (e) In the event the well does not perform as expected, L&B believes the well is a good prospect for re-entry and deepening to the Frio and Vicksburg formations.
 - (f) Allowing L&B to produce the Saenz, F.M. Unit, Well No. 1A will result in the recovery of hydrocarbons that would otherwise not be recovered, thereby preventing waste.
8. The requirement in the Final Order in Oil & Gas Docket 04-0219222 that Score plug wells other than the Saenz, F.M. Unit, Well No. 1A in that docket and pay an administrative penalty of \$17,000, remains 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&B Oil and Gas Equipment, LLC has a good faith claim of a right to operate the subject lease.
4. L&B Oil and Gas Equipment, LLC 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. An Order superceding the Final Order entered in Oil & Gas Docket No. 04-0219222 requiring plugging of Well No. 1A (RRC ID No. 112520) on the Saenz, F.M. Unit, Starr

County NE (K-1 Gas 4204) Field, Starr County, is necessary to prevent waste.

6. 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 March 8, 2011.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 04-0219222 requiring plugging of Well No. 1A (RRC ID No. 112520) on the Saenz, F.M. Unit, Starr 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 L&B Oil and Gas Equipment, LLC to change the operator of Well No. 1A (RRC ID No. 112520) on the Saenz, F.M. Unit, Starr County, from Score Energy Company to L&B Oil and Gas Equipment, LLC is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on March 8, 2011, 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 8th day of March, 2011, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
March 8, 2011)**