

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

OIL & GAS DOCKET NO. 06-0267792

APPLICATION OF PRENWELL, LLC TO SUPERCEDE THE FINAL ORDER SERVED ON FEBRUARY 27, 2009, IN OIL & GAS DOCKET NO. 06-0258455 REQUIRING THAT THE FURRH -A- (04912) LEASE, WELL NOS. 1 AND 3, LONGWOOD (GOODLAND LIME) FIELD, HARRISON COUNTY, TEXAS, BE PLUGGED, ENABLING PRENWELL LLC TO BECOME THE OPERATOR OF RECORD

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by the examiner on November 8, 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 proceeding was given to Prenwell, LLC (“Prenwell”) and SHWJ Oil & Gas Co. Inc. (“SHWJ”). Prenwell appeared at the hearing on November 8, 2010, and presented evidence. No person appeared at the hearing in opposition to the application. Prenwell, LLC 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 February 27, 2009, the Commission served a Final Order in Oil & Gas Docket No. 06-0258455 requiring, among other things, that SHWJ plug the Furrh -A- (04912) Lease, Well Nos. 1 and 3 (“subject wells”), Longwood (Goodland Lime) Field, Harrison County, Texas.
3. SHWJ has not complied with the Final Order in Oil & Gas Docket No. 06-0258455 by plugging the subject wells, and SHWJ presently is the designated operator of the wells on records of the Commission. The Commission has officially noticed that the Form P-5 organization report of SHWJ has been delinquent since July 1, 2007.
4. Prenwell has filed with the Commission a Form P-4 (Certificate of Compliance and Transportation Authority), signed on behalf of both Prenwell and SHWJ, requesting a change of operator of the subject lease and wells from SHWJ to Prenwell.

5. On October 4, 2010, Prenwell filed with the Commission a request for hearing to consider whether the Commission should enter an order superceding the Final Order in Oil & Gas Docket No. 06-0258455 insofar as it required that the subject wells be plugged.
6. Prenwell has an active Form P-5 organization report and approved financial assurance on file in the amount of \$25,000. Prenwell's financial assurance is in a sufficient amount to cover the subject wells in the event they are transferred to Prenwell.
7. Prenwell has a good faith claim to a right to operate the subject lease and wells.
 - a. Pursuant to a July 7, 2010, Assignment of Interest in Oil, Gas and Mineral Lease from Gulfstream Oil and Gas, Inc. ("Gulfstream") to Prenwell, Prenwell is the assignee of the leasehold interest arising under a December 30, 1935, Oil & Gas Lease insofar as it covers 80 acres, more or less, around the subject wells and limited to the depth from the ground surface to 2,550 feet or the base of the Goodland Lime formation, whichever is greater.
 - b. Pursuant to a August 7, 2010, Assignment & Quitclaim of Interest In Oil, Gas and Mineral Lease from Parco Development Company ("Parco") to Prenwell, Prenwell is also the assignee of all of Parco's leasehold interest in the same acreage as is covered by the July 7, 2010, Assignment from Gulfstream to Prenwell.
 - c. According to research commissioned by the royalty owners in the subject property, the December 30, 1935, Oil & Gas Lease which is the subject of the assignments to Prenwell has been held in effect by production of other wells on the leased premises.
8. Superceding the Final Order in Oil & Gas Docket No. 06-0258455 insofar as it required that the subject wells be plugged, and permitting Prenwell to become the designated operator of the wells, likely will prevent the ultimate loss of hydrocarbons.
 - a. Production for the subject wells was last reported to the Commission in March 2003.
 - b. Prenwell intends to rework the wells and restore them to production from the Goodland Lime formation.
 - c. Prenwell intends to perform mechanical integrity tests on the subject wells prior to placing the wells into production.
 - d. Prenwell has obtained a geological assessment of the Goodland Lime formation. Wells in this area of the subject field were drilled on 20-acre spacing, but these wells did not efficiently drain the reservoir. The field's spacing has now been downsized with optional 5-acre spacing. Based on the geological assessment, Prenwell believes that 90% of the oil in place in the reservoir has not been recovered.

- e. Based on evaluations of pumpers formerly employed to work on the subject wells, Prenwell believes that the wells may make up to 2-4 BOPD. Wells completed in the same field on property that is immediately adjacent to the subject property have been making at least 1 BOPD for a long time.
9. There is no affiliation between Prenwell and SHWJ.
 10. There is no evidence that superceding the Final Order in Oil & Gas Docket No. 06-0258455 insofar as it required that the subject wells be plugged, and permitting Prenwell to become the designated operator of the wells, 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. Prenwell, LLC 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. 06-0258455.
5. Prenwell, LLC has a good faith claim of a current right to operate the subject wells.
6. Superceding the Final Order in Oil & Gas Docket No. 06-0258455 insofar as it required that the subject wells be plugged, and permitting Prenwell, LLC 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 December 14, 2010.

It is accordingly **ORDERED** that the Final Order served on February 27, 2009, in Oil & Gas Docket No. 06-0258455 is hereby superceded only insofar as it required that the Furrh -A- (04912) Lease, Well Nos. 1 and 3, Longwood (Goodland Lime) Field, Harrison County, Texas, be plugged. All other provisions of the Final Order in Oil & Gas Docket No. 06-0258455 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 Furrh -A- (04912) Lease, Well Nos. 1 and 3, Longwood (Goodland Lime) Field, Harrison County, Texas, from SHWJ Oil & Gas Co., Inc. to Prenwell, LLC is hereby **APPROVED**.

It is further **ORDERED** that this Final Order shall be effective on December 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 December 2010, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

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