

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

OIL & GAS DOCKET NO. 7B-0250328

APPLICATION OF E. N. PATTON OIL COMPANY, INC., TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER ISSUED SEPTEMBER 12, 2006, IN OIL & GAS DOCKET NO. 7B-0245520 REQUIRING THE PLUGGING OF THE SEARS-STREATER "F" LEASE, WELL NO. 1, HOLLEY (ELLENBURGER) FIELD, NOLAN COUNTY, TEXAS, ENABLING E. N. PATTON OIL COMPANY, 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 February 16, 2007. 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 E. N. Patton Oil Company, Inc. ("Patton") and King Oil & Resources Co. ("King"). Patton appeared at the hearing on February 16, 2007, and presented evidence. No person appeared in opposition to the Patton application, and Patton stated on the record that it waived the issuance of a proposal for decision in this docket. All parties have 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. On September 12, 2006, the Commission signed a Final Order in Oil & Gas Docket No. 7B-0245520 requiring, among other things, that King plug the Sears-Streater "F" (24280) Lease, Well No. 1 ("subject well"), Holley (Ellenburger) Field, Nolan County, Texas.
3. King has not complied with the Final Order in Oil & Gas Docket No. 7B-0245520 by plugging the subject well. King presently is the designated operator of the subject well on records of the Commission.
4. On December 11, 2006, Patton filed a two-signature Form P-4 (Certificate of Compliance and Transportation Authority) with the Commission requesting a change of operator of the subject well from King to Patton.

5. On January 26, 2007, Patton 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. 7B-0245520 insofar as it required that the subject well be plugged.
6. Patton has an active Form P-5 organization report and approved financial assurance on file with the Commission in the form of a \$50,000 letter of credit.
7. There is no affiliation between Patton and King.
8. Patton possesses a currently effective oil and gas lease covering the property on which the subject well is located.
9. Superceding the Final Order in Oil & Gas Docket No. 7B-0245520 insofar as it required the subject well to be plugged, and permitting Patton to become the designated operator of the well, likely will prevent the ultimate loss of hydrocarbons.
 - a. The subject well was drilled and completed in 1987 in the Holley (Ellenburger) Field, and the last reported production of oil by the well was in July 1997.
 - b. On May 11, 2001, the subject well was permitted (Permit No. 11497) to dispose of oil and gas waste into the Cisco Reef, with a permitted injection interval from 3,250' to 3,570'. No injection into the well was thereafter reported to the Commission.
 - c. Patton proposes to recomplete the subject well in the Strawn Sand at about 5,350'.
 - d. A successful Form H-5 pressure test of the subject well on December 11, 2006, demonstrates that the well casing has sufficient integrity to permit the recompletion proposed by Patton.
 - e. Patton's analysis of logs for the subject well shows a potential deposit of hydrocarbons in the Strawn Sand at about 5,350'.
 - f. Two wells within one-half mile, and a third well within 2 miles, of the subject well produced oil from the Strawn Sand. The Ross No. 1 well, located about 2 miles to the northeast of the subject well, produced 117,000 BO and 175 MMCF of gas from the Strawn through perforations at 5,148'-5,153', and came in at 177 BOPD. The Sears-Streater -D- No. 2 well, located about one-half mile southwest of the subject well, produced 10,000 BO from the Strawn Sand. The Sears-Streater No. 1 well, located about one-half mile southeast of the subject well, was not commercial, due to lower structure and tight sands, but nonetheless produced about 2,000 BO from the Strawn Sand.

- g. The Strawn Sand is deposited over a wide area but is separated by structure and stratigraphy, so that Patton does not believe any of the surrounding wells that have produced from the Strawn were pressure connected to the subject well.
 - h. Drilling a new well to recover the hydrocarbons in the Strawn seen on the logs of the subject well would cost approximately \$441,050. Recompletion of the subject well to recover the same hydrocarbons would cost approximately \$142,400.
 - i. Based on the recovery of surrounding wells from the Strawn, Patton does not believe that any prudent operator would drill a new well to recover the hydrocarbons seen on the logs of the subject well in the Strawn section. Patton believes that unless it is permitted to become the operator of the subject well and recomplete it, these hydrocarbons will be left in the ground.
10. Superseding the Final Order in Oil & Gas Docket No. 7B-0245520 insofar as it required the subject well to be plugged, and permitting Patton to become the designated operator of the well, will not 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. E. N. Patton Oil Company, 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 well have changed since issuance of the Commission's Final Order in Oil & Gas Docket No. 7B-0245520.
- 5. E. N. Patton Oil Company, 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. 7B-0245520 insofar as it required that the subject well be plugged, and permitting E. N. Patton Oil Company, 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 March 6, 2007.

It is accordingly **ORDERED** that the Final Order signed on September 12, 2006, in Oil & Gas Docket No. 7B-0245520 is hereby superceded only insofar as it required that the Sears-Streater "F" (24280) Lease, Well No. 1, Holley (Ellenburger) Field, Nolan County, Texas, be plugged. All other provisions of the Final Order in Oil & Gas Docket No. 7B-0245520 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 on December 11, 2006, by E. N. Patton Oil Company, Inc., requesting a change of operator of the Sears-Streater "F" (24280) Lease, Well No. 1, Holley (Ellenburger) Field, Nolan County, Texas, from King Oil & Resources Co. to E. N. Patton Oil Company, Inc., is hereby **APPROVED**.

It is further **ORDERED** that this Final Order shall be effective on March 6, 2007, 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 March 2007, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
March 6, 2007)**