

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

**OIL & GAS DOCKET NO. 10-0267807**

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**APPLICATION OF DDC TRACK, LLC TO SUPERCEDE THE FINAL ORDER SIGNED ON JUNE 9, 2010, IN OIL & GAS DOCKET NO. 10-0263493 REQUIRING THAT THE PARROT (01453) LEASE, WELL NO. 1, AND THE A. N. MANN (04389) LEASE, WELL NO. 1A, PANHANDLE WHEELER COUNTY FIELD, WHEELER COUNTY, TEXAS, BE PLUGGED, ENABLING DDC TRACK, LLC TO BECOME THE OPERATOR OF RECORD**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned proceeding was heard by the examiner on November 4, 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 DDC Track, LLC (“DDC”) and Magic City Oil & Gas (“Magic City”). DDC appeared at the hearing on November 4, 2010, and presented evidence. No person appeared at the hearing in opposition to the application, but the Field Operations Section intervened for the purpose of suggesting that in the event the application is approved and the subject wells are transferred, DDC Track, LLC be required, within 90 days, to perform a mechanical integrity test on the subject wells. All parties have waived the issuance of a proposal for decision in this docket, and 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 June 9, 2010, the Commission signed a Final Order in Oil & Gas Docket No. 10-0263493 requiring, among other things, that Magic City plug the Parrot (01453) Lease, Well No. 1, and the A. N. Mann (04389) Lease, Well No. 1A, Panhandle Wheeler County Field, Wheeler County, Texas. This same Final Order required that the A. N. Mann (04389) Lease, Well No. 2 be plugged or otherwise placed into compliance with Commission rules.
3. Magic City has not complied with the Final Order in Oil & Gas Docket No. 10-0263493 by plugging the subject wells, and Magic City 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 Magic City has been delinquent since April 1, 2010.

4. DDC has filed with the Commission Forms P-4 (Certificates of Compliance and Transportation Authority), signed on behalf of both DDC and Magic City, requesting a change of operator of the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well Nos. 1A and 2 from Magic City to DDC.
5. On September 3, 2010, DDC 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. 10-0263493 insofar as it required that the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well No. 1A be plugged. DDC proposes to take a transfer of these two wells and the A. N. Mann (04389) Lease, Well No. 2. Superceding the Final Order in Oil & Gas Docket No. 10-0263493 is not necessary as to the A. N. Mann (04389) Lease, Well No. 2 because this well was ordered to be plugged or otherwise placed into compliance with Commission rules, and transfer of the well to DDC is a means of placing this well into compliance.
6. The Commission has officially noticed that DDC has an active Form P-5 organization report and approved financial assurance on file in the amount of \$25,000. DDC's financial assurance is in a sufficient amount to cover the subject wells in the event they are transferred to DDC.
7. DDC has a good faith claim to a right to operate the subject leases and wells. By Special Mineral Deed dated November 2, 2010, the First State Bank of Mobeetie, a Texas State Bank, conveyed all of its interest in the mineral fee of the property where the subject wells are located to DDC.
8. Superceding the Final Order in Oil & Gas Docket No. 10-0263493 insofar as it required that the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well No. 1A be plugged, and permitting DDC to become the designated operator of the wells and the A. N. Mann (04389) Lease, Well No. 2, likely will prevent the ultimate loss of hydrocarbons.
  - a. The Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well No. 1A are oil wells. Production was last reported for the Parrot (01453) Lease, Well No. 1 in August 2005. Production was last reported for the A. N. Mann (04389) Lease, Well No. 1A in March 1993. The A. N. Mann (04389) Lease, Well No. 2 is an injection well, and injection for this well was last reported in September 2007.
  - b. DDC intends to test the subject wells for mechanical integrity and restore the wells to production.
  - c. There are three wells producing from the Panhandle Wheeler County Field several hundred feet to the north of the subject wells, and these wells are producing at a rate of eight to ten barrels of oil per day. DDC believes that the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well No. 1A should be capable of producing a comparable amount of oil. DDC proposes to use the A. N. Mann

(04389) Lease, Well No. 2 injection well for disposal of saltwater produced by the Parrot (01453) Lease, Well No. 1. This will avoid the need to haul saltwater over a longer distance for disposal, and should prolong the economic life of the producing wells.

9. There is no affiliation between DDC and Magic City.
10. The subject wells are more than 25 years old, are now inactive, and, at the time of the hearing, had not been tested for mechanical integrity. DDC does not object to the final order in this docket being made subject to a condition that within ninety days of the date of the transfer of the subject wells to DDC, DDC shall perform a mechanical integrity test on the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well Nos. 1A and 2.
11. There is no evidence that superceding the Final Order in Oil & Gas Docket No. 10-0263493 insofar as it required that the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well No. 1A be plugged, and permitting DDC to become the designated operator of these wells and the A. N. Mann (04389) Lease, Well No. 2, 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. DDC Track, 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 well have changed since issuance of the Commission's Final Order in Oil & Gas Docket No. 10-0263493.
5. DDC Track, 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. 10-0263493 insofar as it required that the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well No. 1A be plugged, and permitting DDC Track, LLC to become the designated operator of these wells and the A. N. Mann (04389) Lease, Well No. 2, 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 April 18, 2011.

It is accordingly **ORDERED** that the Final Order signed on June 9, 2010, in Oil & Gas Docket No. 10-0263493 is hereby superceded only insofar as it required that the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well No. 1A, Panhandle Wheeler County Field, Wheeler County, Texas, be plugged. All other provisions of the Final Order in Oil & Gas Docket No. 10-0263493 remain in full force and effect.

It is further **ORDERED** that the Forms P-4 (Certificates of Compliance and Transportation Authority) filed with the Commission requesting a change of operator of the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well Nos. 1A and 2, Panhandle Wheeler County Field, Wheeler County, Texas, from Magic City Oil & Gas to DDC Track, LLC are hereby **APPROVED**.

It is further **ORDERED** that within ninety (90) days from the date of this Final Order, DDC Track, LLC shall perform a mechanical integrity test on the Parrot (01453) Lease, Well No. 1 and the A. N. Mann (04389) Lease, Well Nos. 1A and 2, Panhandle Wheeler County Field, Wheeler County, Texas, demonstrating the mechanical integrity of these wells.

It is further **ORDERED** that this Final Order shall be effective on April 18, 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 18th day of April, 2011, in Austin, Texas.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotested Master Order dated  
April 18, 2011)**