

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

**OIL & GAS DOCKET NO. 03-0245765**

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**COMPLAINT OF CRIMSON EXPLORATION OPERATING, INC., AGAINST MADISONVILLE GAS PROCESSING, L.P. FOR FAILURE TO TAKE GAS RATABLY PURSUANT TO STATEWIDE RULE 34 AND THE COMMON PURCHASER ACT, MADISONVILLE (RODESSA) FIELD, MADISON COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned proceeding was heard by the examiners on January 23, 2006. 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 ten days notice of the hearing in this docket was given to all affected persons entitled to notice.
2. On July 20, 2005, Crimson Exploration Operating, Inc. ("Crimson") filed a complaint against Hanover Compression Limited Partnership ("Hanover"), Gateway Processing Company ("Gateway"), and Redwood Energy Production LP ("Redwood"), alleging that Hanover and Gateway were common purchasers and had refused to take ratably gas produced by Crimson from the Madisonville (Rodessa) Field in Madison County, Texas, in violation of Statewide Rule 34 [Tex. R.R. Comm'n., 16 TEX. ADMIN. CODE §3.34] and Texas Natural Resources Code, Chapter 111 (Common Purchaser Act).
3. Effective on July 25, 2005, Hanover sold its gas plant to Madisonville Gas Processing, LP ("MGP"), and effective August 1, 2005, Gateway sold its gathering assets to MGP.
4. On January 24, 2006, Redwood gave written notice to the Commission that it would not appear at the hearing or participate further in this docket.
5. A hearing was held on January 25, 2006, and Crimson, MGP, Gateway, and Advanced Energy Recovery, Inc., made appearances.
6. On January 30, 2006, the Commission served an order dismissing the complaint, without prejudice, as to Gateway.

7. All parties to this proceeding have filed written waivers of the requirement for issuance of an examiners' proposal for decision in this docket.
8. The Madisonville (Rodessa) Field ("subject field") contains natural gas which bears a high concentration of hydrogen sulfide, carbon dioxide, and nitrogen. In order to make gas produced from the field of merchantable quality, the gas first must be treated to remove these impurities.
9. There are presently two wells completed in the subject field, the Ruby Magness No. 1 and the Angela Fannin Farris No. 1, both operated by Redwood.
10. MGP operates the only gas gathering and gas sweetening plant in the subject field. It currently gathers and treats all gas produced by Redwood from the field.
11. MGP is the first purchaser of Redwood's natural gas production from the subject field.
12. Redwood accepts and has the responsibility to dispose of all acid gas, being predominantly hydrogen sulfide and carbon dioxide, in liquid form, removed from its gas production by MGP.
13. Redwood has dedicated all of its production from the subject field to MGP for taking into the gathering system and treating at the MGP plant.
14. Redwood has produced 11.8 BCF of natural gas from the subject field.
15. Crimson has leases in the subject field and has obtained from the Commission drilling permits to drill its Mason Unit No. 1 well and its Johnston No. 2 well in the subject field. Crimson desires to drill the Johnston No. 2 well first, at a location approximately 2,000 feet west of the MGP treating plant.
16. Crimson cannot produce the gas reserves under its tracts in the subject field without access to the MGP gas processing plant.
17. A Commission order is necessary to effectuate a commitment from MGP to take Crimson's gas for gathering and processing at MGP's plant.
18. The proposed Mason Unit No. 1 and Johnston Unit No. 2 are expected to produce gas of similar quality and requiring similar treatment as the gas produced by Redwood's wells.

**CONCLUSIONS OF LAW**

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice.
2. Pursuant to the Texas Common Purchaser Act, Tex. Nat. Res. Code Ann. §§111.081 *et seq.* and Statewide Rule 34 [Tex. R.R. Comm'n., 16 TEX. ADMIN. CODE §3.34], the Commission has jurisdiction over this complaint. All things necessary to the Commission attaining jurisdiction have occurred.
3. Madisonville Gas Processing LP is a common purchaser of gas in the Madisonville (Rodessa) Field, as defined in Tex. Nat. Res. Code Ann. §111.082.
4. Tex. Nat. Res. Code Ann. §111.086 prohibits discrimination by a common purchaser in favor of one producer or person against another producer or person in the same field and permits the Commission to determine questions of justice or reasonableness under this section.
5. Statewide Rule 34 [Tex. R.R. Comm'n., 16 TEX. ADMIN. CODE §3.34] requires operators of wells in a field to produce ratably and provides that a first purchaser shall not discriminate between different wells from which it purchases in the same field.
6. Pursuant to Tex. Nat. Res. Code Ann. §111.090, the Commission may make such rules and enter such orders as necessary to prevent discrimination.
7. The Commission may order MGP, as owner and operator of a gas processing or treating plant and common purchaser under the Texas Common Purchaser Act, to take and process or treat gas on a non-discriminatory basis, and such an order is necessary to prevent discrimination.

**IT IS THEREFORE ORDERED** that pursuant to the Texas Common Purchaser Act, Tex. Nat. Res. Code Ann. §111.081 *et seq.* and Statewide Rule 34 [Tex. R.R. Comm'n., 16 TEX. ADMIN. CODE §3.34], Madisonville Gas Processing LP shall ratably take and treat gas tendered by Crimson Exploration Operating, Inc., and from all other producers in the Madisonville (Rodessa) Field, without discrimination between such producers, provided that Crimson Exploration Operating, Inc., and any other producer, accept the responsibility to dispose of all acid gas, in liquid form, attributable to their gas production and removed from the raw gas stream by Madisonville Gas Processing LP.

**IT IS FURTHER ORDERED** that Crimson Exploration Operating, Inc., shall produce ratably from the Madisonville (Rodessa) Field in accordance with Statewide Rule 34 [Tex. R.R. Comm'n., 16 TEX. ADMIN. CODE §3.34].

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party of interest, this order shall not become final and effective

until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 8th day of August, 2006, in Austin, Texas.

**RAILROAD COMMISSION OF TEXAS**

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**CHAIRMAN ELIZABETH A. JONES**

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**COMMISSIONER MICHAEL L. WILLIAMS**

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**COMMISSIONER VICTOR G. CARRILLO**

**ATTEST:**

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**SECRETARY**