

**OFFICIAL MINUTES
RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTION
JANUARY 23, 2004**

Pursuant to lawful notice, the Commission held an open meeting at 1701 N. Congress Avenue, in Room 1-111, Austin, Texas, on the 23rd day of January 2004, commencing at 9:30 a.m. Chairman Victor G. Carrillo and Commissioners Charles R. Matthews and Michael L. Williams were present. Chairman Carrillo presided.

- I. The Commission convened the monthly Oil and Gas Statewide Hearing. The Commission approved and signed the order setting the lawful market demand for the month of February 2004.
- II. Before commencing with consideration of items on the regularly posted agenda, the Commission presented certificates and pins to Commission employees in recognition of their length of service.
- III. The Commission began consideration of matters falling within the Railroad Commission's Gas Services Division regulatory jurisdiction.
 - A. In consideration of Gas Utilities Docket No. 9469, the Statement of Intent filed by Centerpoint Energy Entex to change rates in the environs of the City of Houston, the Commission suspended the proposed rates for a period of 150 days from the date the rates would otherwise go into effect. Suspension was recommended by Examiner Michelle Lingo.
 - B. Regarding Gas Utilities Docket No. 9400, the Statement of Intent filed by TXU Gas Company to change rates in the company's statewide gas utility system, on motion of Commissioner Matthews, the Commission deferred consideration of this matter until the next conference.
 - C. In consideration of Gas Utilities Docket No. 9468, the application of Kinder Morgan Texas Pipeline, L.P. pursuant to Section 311 of the Natural Gas Policy Act for review of reasonableness of storage rates, the Commission found that the storage rate schedule for certain storage services by Kinder Morgan is just and reasonable, fair and equitable and not in excess of cost-based rates. Approval was recommended by Examiner Jackie Standard.

- IV. The Commission began consideration of matters falling within the Railroad Commission's Surface Mining Division regulatory jurisdiction.
 - A. At the request of the staff, the Commission deferred consideration of Docket No. C3-0016-SC-42-B, the request by Dos Republicas Resources Co., Inc. for an Extension of Time to Commence Mining Operations, Eagle Pass Mine, Permit No. 42, Maverick County, Texas.

- V. The Commission began consideration of matters falling within the Railroad Commission's Oil and Gas regulatory jurisdiction.
 - A. The Commission took the following action on applications appearing on the protested docket of the Oil and Gas Division:
 - 1. In consideration of Docket No. 8A-0234890, Examiner Margaret Allen recommended the Commission approve the application of Key Energy Services, Inc. PBD (458563) to inject fluid into a reservoir productive of oil and gas in its Dasani Lease, Well No. 1, Seminole, Southwest (Devonian) Field, Gaines County, Texas. On motion of Commissioner Williams, seconded by Commissioner Matthews, the Commission voted (2-1) to grant the application with one modification. Chairman Carrillo stated he did not believe this injection well was in the public interest and voted no.
 - 2. The Commission considered Docket No. 03-0233911, regarding the Complaint of Jimmy Luecke concerning the pooled units designated by Browning Oil Company, Inc. for the Jennifer-Medusa Unit, Well No. 1 and the Weyand-Hays Unit, Well No. 1, Giddings (Austin Chalk-3) (34733500) Field, Fayette County, Texas. The Commission heard comments from Mr. Mike McElroy, representing Browning Oil Company, Inc. On motion of Commissioner Williams, seconded by Chairman Carrillo, the Commission voted (3-0) to grant oral arguments to be held at the next conference.
 - 3. In consideration of Docket No. 02-0346005, the Commission approved the application of Jackson County Vacuum Truck Service, Inc. to dispose of oil and gas waste by injection into a porous formation not productive of oil or gas in the Fee Lease, Well No. 1-D, Ganado, West (4700 Zone) Field, Jackson County, Texas. Approval was recommended by Examiner Margaret Allen.

OFFICIAL MINUTES – JANUARY 23, 2004

4. In consideration of Docket No. 06-0229851, the enforcement action against LinOp Corp. (Operator No. 502665) and/or Re-Op Corp. (Operator No. 695742) for violations of Statewide Rules on the Obie Leonard (12462) Lease, Well No. 1, Kellyville (Hill Lime) Field in Marion County, Texas, the Commission ordered LinOp to plug the well, place the lease in compliance with all applicable Commission rules and pay an administrative penalty in the amount of \$4,250. This action was recommended by Examiner Scott Petry.
 5. In consideration of Docket No. 08-0230561, the enforcement action against LinOp Corp. (Operator No. 501665) and/or Re-Op Corp. (Operator No. 695742) for violations of Statewide Rules on the Arco State 14A (34155) Lease, Tank Battery, N. Reeves (3200) Field, in Reeves County, Texas, the Commission ordered LinOp to place the lease in compliance with all applicable Commission rules, and pay an administrative penalty in the amount of \$5,250. This action was recommended by Examiner Scott Petry.
 6. In consideration of Docket No. 06-0230186, the enforcement action against Gulftex Operating, Inc. (Operator No. 338748), D.B.A. Gulftex, Inc. (Operator No. 338749), for violation of statewide rules on the Manziel SWD System (05667) Lease, Well No. 2, Manziel Field, in Wood County, Texas, the Commission ordered Gulftex Operating, Inc. to place the well in compliance with all Commission rules and for Gulftex Operating, Inc., doing business as Gulftex, Inc., to pay an administrative penalty in the amount of \$4,500. This action was recommended by Examiner Scott Petry.
 7. In consideration of Docket No. 01-0233603, the Commission denied the motion for rehearing filed in the enforcement action against Stout Brothers, LLC (Operator No. 824194) for violations of statewide rules on the J. Mackin (08440) Lease, Well Nos. 1 and 2, Tenney Creek Field, Caldwell County, Texas. Denial of the motion was recommended by Director of Hearings Colin Lineberry.
- B. The Commission took action on applications appearing on the Oil and Gas Unprotected Consent Agenda, the Master Default Agenda and the Agreed Orders Agenda.
- C. Rules Notebook: Deputy General Counsel Mary Ross McDonald
1. The Commission approved publishing for a 30-day public comment period new rules 16 Tex. Admin. Code §§20.601-20.602, relating to staff training and education.
 2. The Commission adopted new rules relating to resolution of contract claims in 16 Tex. Admin. Code Chapter 20, Subchapter A, Division 2.

OFFICIAL MINUTES – JANUARY 23, 2004

- VI. The Commission began consideration of matters authorized by law including the administration, budget, procedures and personnel of the following divisions as presented by the division director or other authorized personnel.
- A. Surface Mining: Director Melvin Hodgkiss
 - 1. The Commission authorized staff to advertise to bid for the Year 2004 AML Revegetation and Erosion Control Project.
 - 2. The Commission authorized staff to advertise for bid for the Buena Suerte Mining District/Chianti State Natural Area AML Reclamation Project.
 - 3. The Commission authorized staff to prepare rule amendment to the Commission's Chapter 1 rules, Practice and Procedure, 16 Texas Admin. Code §1.201.
 - B. Oil and Gas: Director Rich Varela
 - 1. The Commission approved Docket No. 03-0237274, the Groundwater Pollution Control Order with ExxonMobil regarding portions of the Hope Quilter -A-, -B-, and -C-, and the C.F. Hoffman Leases, Tomball Field, Harris County, Texas.
 - 2. The Commission authorized staff to increase the dollar amount up to the second revised contract amount for State-Funded Plugging Extended Service Contract, Requisition No. 455-3-1902. The original contract amount was \$310,000; the first revised contract amount: \$650,000; and the second revised contract amount: up to \$814,000.
 - C. General Counsel Lindil Fowler
 - 1. The Commission received a report on the status of pending Commission rulemakings.
 - D. Commissioner's Notebook: Chairman Carrillo
 - 1. The Commission approved and signed a letter to ExxonMobil supporting the ExxonMobil LNG Terminal and regasification facility in San Patricio County, Texas.
 - E. Commissioner's Notebook: Commissioner Matthews
 - 1. The Commission discussed the status of the implementation of Senate bill 619 (78th Legislature, Regular Session).

OFFICIAL MINUTES – JANUARY 23, 2004

- F. Oil and Gas Division: Director Rich Varela
 - 1. The Commission received an update regarding the progress and status of the Oil and Gas Migration Project, including a demonstration of the PDQ and GIS applications.
- VII. With no further business to come before the Commission at this time, the conference was adjourned at 12:00 p.m.

Kim Williamson
Secretary