

**OFFICIAL MINUTES
RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTION
MAY 25, 2004**

Pursuant to lawful notice, the Commission held an open meeting at 1701 N. Congress Avenue, in Room 1-111, Austin, Texas, on the 25th day of May 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 for the purpose of conducting the monthly Oil and Gas Statewide Hearing. The Commission approved and signed the order setting the lawful market demand for the month of June 2004.
- II. The Commission began consideration of matters falling within the Railroad Commission's Gas Services Division regulatory jurisdiction.
 - A. The Commission temporarily deferred consideration of Docket No. 9400, the Statement of Intent filed by TXU Gas Company to change rates in the Company's Statewide Gas Utility System.
 - B. In consideration of LP Gas Docket No. 1753, the enforcement action against Sealy Butane Company for violations of LP Gas Rules at the Sealy Butane Bulk Storage Facility, Sealy, Austin County, Texas, the Commission addressed an administrative penalty in the amount of \$2,500.
 - C. In consideration of Gas Utilities Docket No. 9392, the enforcement action against JIL Oil Corporation (Operator No. 432468) for alleged violations committed at the Liberty Unit gas pipeline, Liberty County, Texas, the Commission assessed an administrative penalty in the amount of \$10,000.
- III. The Commission began consideration of matters falling within the Railroad Commission's Surface Mining regulatory jurisdiction.
 - A. In consideration of Docket No. C4-0009-OSC-29-E, the Commission approved the application of Norit Americas Inc. for acceptance of replacement collateral bond and amendment to letter of credit for reclamation performance bonding for Permit No. 29B, Darco Mine Area. Approval was recommended by Examiner Marcy J. Spraggins.

- B. In consideration of Docket No. C4-0015-SC-47-E, the Commission approved the application of Northwestern Resources Co. for acceptance of Surety Bond Rider for Reclamation Performance Bonding for Permit No. 47, Jewett E/F Mind Area. Approval was recommended by Examiner Marcy J. Spraggins.
- IV. 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. 7C-0236633, the Commission approved the application of Anadarko E&P Company LP to amend the field rules for the Davidson Ranch (Penn 7890)(23365750) Field, Crockett County, Texas. Approval was recommended by Examiner Donna Chandler.
 2. In consideration of Docket No. 7B-0237703, regarding the Commission-called hearing on the Complaint of Richard W. Jones and Jerry R. Jones to show cause why Ventex Operating Corp. is not entitled to produce the Young (28071) Lease, Well No. 1, Casady (Strawn)(16148500) Field, Taylor County, Texas, as permitted, the Commission ordered that the complaint be dismissed with prejudice, as recommended by Examiner James Doherty.
 3. In consideration of Docket No. 6E-0236206, the enforcement action against Johnson & Johnston (Operator No. 437160) for violations of statewide rules on the Johnson, H. et al., (07881) Lease, Well Nos. 8, 9 and 10, East Texas Field, Rusk County, Texas, the Commission ordered Lana Faye Johnston d/b/a Johnson & Johnston to plug or otherwise place the wells in compliance and pay an administrative penalty in the amount of \$6,000. This action was recommended by Examiner James Doherty.
 4. The Commission considered Docket No. 03-0233911, the Complaint of Jimmie Luecke concerning pooled unites designated by Browning Oil Company, Inc. for the Jennifer – Medusa Unit, Well No. 1 and the Weyend-Hays Unit, Well No. 1, Giddings (Austin Chalk-3)(34733500) Field, Fayette County, Texas. The Commission granted a motion for rehearing for the limited purpose of permitting the Commissioners to sign an order dismissing the complaint with prejudice. This action was recommended by Examiner James Doherty.

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- B. The Commission took action on applications appearing on the Oil and Gas Unprotested Consent Agenda, Agreed Enforcement Orders, and Master Default Orders. At the request of Commissioner Matthews, the Commission deferred consideration of two dockets on the Consent Agenda, Docket No. 03-0237263, Morgan’s Point L.P. and Docket No. 03-0238309, Newfield Exploration Company.

- V. The Commission continued consideration of matters falling within the Railroad Commission’s Gas Services regulatory jurisdiction.
 - A. The Commission considered the proposed final order in Gas Utilities Docket No. 9400, the Statement of Intent filed by TXU Gas Company to change rates in its Statewide Gas Utility System. On motion of Commissioner Williams, seconded by Chairman Carrillo, the Commission voted (2-1) for a rate cap of 10.23%. Commissioner Matthews stated that he wanted his objection to the 10.23% cap noted. On motion of Chairman Carrillo, he and Commissioner Matthews signed the proposed order. Commissioner Williams voted no.

- 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. Executive Office: Deputy Executive Director Kathy Pyka
 - 1. The Commission deferred consideration of the amendment to the Oil and Gas Migration Contract with Maximus, Inc.

 - B. Surface Mining: Director Melvin Hodgkiss
 - 1. The Commission authorized the staff to advertise for bid for reclamation of the Galen abandoned mine land site.

 - 2. The Commission received a status regarding the pending rulemaking proposal to amend Chapter 12, Coal Mining Regulations, concerning coal combustion products and byproducts and the related program amendment submitted to the Office of Surface Mining Reclamation and Enforcement.

 - C. Safety Division: Director Mary McDaniel
 - 1. The Commission authorized staff to draft revisions to 16 Tex. Admin. Code §8.201 regarding pipeline safety program fees.

 - 2. The Commission authorized staff to draft revisions to 16 Tex. Admin. Code §5.301 regarding rail safety program fees.

D. Oil and Gas: Director Rich Varela

1. The Commission approved the use of Oil Field Cleanup funds to conduct cleanup activities at the Pure Environment (683058) Dewitt County Facility (Permit LT-0127), Unknown Field, Dewitt County, Texas.
2. The Commission considered the request by staff to use Oil Field Cleanup funds to conduct cleanup activities at the T.L. Carter (138265) Carter Farm – Roby Disposal Facility (Permit Application Nos. CN006292A – E), Unknown Field, Fisher County, Texas. On motion of Commissioner Matthews, the Commission voted to send this cleanup project out for bids.
3. The Commission approved plugging with state funds the Whittington Operating Company (921517); State of Texas Tract 297; Well No. 4-297 (Gas ID 145503); Potrero Lopena (Marginulina) Field; Kenedy County, Texas for an estimated plugging cost of \$132,605.
4. The Commission approved Amendment No. 1 to the Interagency Cooperation Act Contract between the Railroad Commission and the General Land Office, GLO Contract No. 04-353, to authorize the transfer of funds from the GLO's Surface Damage Account to the Railroad Commission.

E. Office of General Counsel: General Counsel Lindil Fowler

1. The Commission received a status report on pending Commission rulemakings.

VII. With no further business to come before the Commission at this time, the conference was adjourned at 10:25 a.m.

Kim Williamson
Secretary