

**RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTIONS
MARCH 6, 2007**

After providing notice as required by the Texas Open Meetings Act, the Railroad Commission of Texas held an open meeting at the William B. Travis Building, 1701 N. Congress Avenue, in Room 1-111, Austin, Texas, on Tuesday, March 6, 2007, commencing at 9:30 a.m. Chairman Elizabeth A. Jones and Commissioners Michael L. Williams and Victor G. Carrillo were present. Chairman Jones presided.

OFFICE OF GENERAL COUNSEL - HEARINGS SECTION

Gas Services Unprotected

1. GUD No.9721: Statement of Intent filed by Texas Gas Service Company to change rates in the environs of the North Texas Service Area. The Commission unanimously approved the suspension order.

Oil and Gas Protested

2. O&G 05-0250370: Trend Gathering & Treating, LP to consider a permit to construct a sour gas pipeline pursuant to Statewide Rule 106, Irvin 10" LP Mainline, Teague Area Field, Freestone County, Texas. Chairman Jones and Commissioner Carrillo voted to approve the application. Commissioner Williams recused himself.

3. O&G 7B-0249737: N/J Production to consider the complaint of Charles G. Justis, Jr. seeking the voiding of the Form P-5 Organization Report of N/J Production, and the voiding and rescission of all Form P-4 Certificates of Compliance transferring leases and wells to N/J Production, including the oil leases and gas wells in District 7B having the following Railroad Commission lease or ID numbers: 073617, 080421 120864, 122226, 122335, 123504, 124343, 124494, 140689, 00900, 00994, 06522, 11895, 16605, 17350, 19788, 24615, 24983, 25271, 25543, 26551 and 26644, J. S. Lewis (Marble Falls) (45210500) Field, Purvis (Fry) (73499175) Field, Santa Anna (Canyon) (80827300) Field, Coleman County Regular (Gas) (19511456) Field, Brown County Regular (12406001) Field, Coleman County Regular (19511001) Field. The initial Form P-5 for N/J Production was filed and approved on June 8, 2006, and reports Charles G. Justis, Jr. to be the sole proprietor of that entity and its resident agent to be Roland Baker. Complainant Justis asserts, however, that his putative signature on the Form P-5 is

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a forgery and that he did not sign or authorize the filing of the Form P-5 or any of the Form P-4's transferring operatorship to N/J Production. The 22 Form P-4's transferring District 7B wells into N/J Production were all filed and approved on June 8, 2006. Each of the P-4's was a transfer from IPACT and each was signed by Roland Baker as agent for N/J Production. Justis seeks the rescission of each of the Form P-4's and the return of operatorship of each of the leases and wells covered by the P-4's to the prior operator, IPACT. The Commission unanimously approved the recommended final order.

Agreed Enforcement Orders

The Commission unanimously approved the following agreed orders:

4. LP-Gas Docket No. 1883: Enforcement action against Higginbotham Bros. & Co. Ltd. for violation of Tex. Nat. Res. Code Ann. §113.093(a) at Higginbotham-Barlett #53, 1125 E. Main St., Eastland, Texas.
5. LP-Gas Docket No. 1862: Enforcement action against United Propane Exchange, L.L.C. for violations of LP-Gas Safety Rules §9.132 and §9.101(b)(1) at D & R Investments d/b/a Bowie Fina Mart in Bowie, Texas.
6. LP-Gas Docket No. 1884: Enforcement action against Petron L.L.C. for violation of LP-Gas Safety Rule §9.403(a) at Griffin Propane, Hwy. 83 N., Menard, Texas; Halbert LPG, Inc., Hwy. 277, Eldorado, Texas; and Halbert LPG, Inc., Hwy. 29 W. of Hwy. 83, Menard, Texas.
7. LP-Gas Docket No. 1886: Enforcement action against Griffin Propane for violation of LP-Gas Safety Rule §9.403(a) at Griffin Propane, Hwy, 83 N., Menard, Texas.
8. LP-Gas Docket No. 1894: Enforcement action against King Plumbing, Inc. for violation of LP-Gas Safety Rule §9.7(f) at 250 Falcon Ridge, Aledo, Parker County, Texas.
9. O&G 09-0250187: Stephens & Johnson Operating Co. enforcement action regarding (817555) operator K M A Southwest Extension Unit (16235) Lease, K-M-A (47902001) Field, Wichita County, Texas. Violation of Rule 8(d)(1).
10. O&G 7B-0249772: Vortt Exploration Company, Inc. enforcement action regarding (887500) operator Baum Unit IV (103386) Lease, Well No.1, Mineral Wells, S (Baum Sand) (61848300) Field, Palo Pinto County, Texas. Violation of Rules 14(b)(2); 3(1) and (3); 8(d)(1).
11. O&G 7B-0245781: Dabb Energy Company enforcement action regarding Nail, Chloe A. (03206) Lease, Well Nos. 3, 4, 6, 7, 8, 9 & Tank Battery, Shackelford County Regular (82522001) Field, Shackelford County, Texas. Violation of Rules 14(b)(3); 13(b)(1)(B); 3(1), (2), (3), and (5); 46(j).
12. O&G 08-0250598: Millennium Resources, LP enforcement action regarding Guitar 23 (36771) Lease, Well No. 01, Varel (San Andres) (93233333) Field, Howard County, Texas. Violation of Rules 3, 9(1); 46(a).

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13. O&G 09-0248584: Myers, A. J. enforcement action regarding Burt, Myrtle -A- (03828) Lease, Well No. 01, Peek (Caddo Lime) (70205500) Field, Jack County, Texas. Violation of Rule 14(b)(2).

14. O&G 09-0246991: Huston Oil enforcement action regarding Richardson, W. T. (21410) Lease, Well Nos. 2 & 6, Archer County Regular (03446001) Field, Archer County, Texas. Violation of Rules 14(b)(2); 13(b)(1)(B); 3; 16(a); 73(i).

15. O&G 03-0248580: Italian-American Oil Co., Inc. enforcement action regarding Zollman, Cowan (077982) Lease, Well No. 27, Carlton Speed (Yegua 4600) (15717666) Field, Grimes County, Texas. Violation of Rule 14(b)(2).

16. O&G 8A-0246706: Case Oil Browning, enforcement action regarding B. J. (064049) Lease, Well No. 1, Providence (Atoka) (73291500) Field, Cottle County, Texas. Violation of Rule 14(b)(2).

Oil and Gas Unprotected

Consent Agenda

The Commission unanimously approved the following applications:

17. O&G 03-0250155: Matador Production Company to amend the permanent field rules for the Echo (9910) Field, Orange County, Texas.

18. O&G 04-0250026: Republic Resources, LLC. to consider a net gas-oil ratio for its Angelita Unit (13394), Well No. 1, and for cancellation of overproduction for the well, Angelita New (6900) (02868852) Field, San Patricio County, Texas.

19. O&G 09-0247267: to consider the application of LTS Oil & Gas to supercede the provisions of the Final Order issued in Oil & Gas Docket No. 09-0236210 requiring the plugging of the Douglas, L. P., -D- (13470) Lease, Well Nos. 1, 2, and 3, Wichita County Regular (97155001) Field, Wichita County, Texas, enabling LTS Oil & Gas to become the operator of record.

20. O&G 09-0249120: Tracer Operating, Inc. to consider a net gas-oil ratio for Tyler (30566) Lease, Well No.1, Strawn (Marble Falls 4060) (86585300) Field, Palo Pinto County, Texas.

21. O&G 7B-0250328: to consider the application of Patton, E. N. 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" (24280) Lease, Well No.1, Holley (Ellenburger) (42194200) Field, Nolan County, Texas, enabling E. N. Patton Oil Company, Inc. to become the operator of record.

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22. O&G 04-0250221: EOG Resources, Inc. to consider consolidation of the Midway, South (Bank), Midway, South (Frio Deep), Midway, South (Frio Deep II), Midway, South (Shell Deep) and Midway, South (Shell Deep II) Fields into a proposed field to be known as the Midway South (Consolidated) Field, San Patricio County Texas, and to consider field rules for the proposed field.

23. O&G 06-0250225: XTO Energy Inc. to consider a new field designation for the T.I.N. Lease, Well No, 1, to be known as the Decker Switch (Travis Peak) Field, Houston County, Texas.

24. O&G 01-0250107: Bluestone Production Company LP to consider a new field designation for its Nueces Lease, Well No. 1, and to consider a correlative interval designation and a two-factor allocation formula for the proposed new field to be known as the Piedra Creek (Taylor/Olmos) Field, McMullen County, Texas.

25. O&G 04-0250108: Erskine Energy, LLC to consider consolidation of the Elsa, South (Dietrich), Elsas, South (Peterson), Elsa, South (6750), Elsa, South (6950), Elsa, South (7170), Elsa, South (7250), Elsa, South (7350), Elsa, South (7400), Elsa, South (7700), Elsa, South (7800), Elsa, South (7850), Elsa, South (7950), Elsa, South (8000), Elsa, South (8400), Elsa, South (8600) and Elsa, South (8700) Fields, and adoption of permanent field rules for the proposed consolidated field, to be known as the Elsa, South (Frio Consolidated) Field, Hidalgo County, Texas.

26. O&G 04-0249750: Manti Operating Company to consider a new field designation and adoption of a two-factor allocation formula, proposed Jesuit Field, Kleberg County, Texas.

27. O&G 06-0250025: Virtex Petroleum Company, Inc. to amend the permanent field rules for the Garrison (Travis Peak) (34044800) Field, Nacogdoches, Rusk, and Shelby Counties, Texas.

28. O&G 04-0250678: EOG Resources, Inc. for the recommendation of a tight gas formation for the Wilcox Formation Taguache Creek (Wilcox 10800) (88137500) Field, Zapata County, Texas.

29. O&G 04-0250679: Newfield Exploration Company for the recommendation of a tight gas formation for the Vicksburg Formation McCook, SE (Vicksburg Deep) (59083700) Field, Hidalgo County, Texas.

30. O&G 02-0250677: KCS Resources, Inc. for the recommendation of a tight gas formation for the Luling Sand Formation Dolan (Luling Sand) (25177410) Field, Live Oak County, Texas.

31. O&G 04-0250517: El Paso Production Oil & Gas Co. for the Recommendation of a tight gas formation for the Vicksburg Formation Monte Christo (Vksbg JJ) (62556070) Field, Hidalgo County, Texas.

32. O&G 02-0250513: KCS Resources, Inc. for the recommendation of a tight gas formation for the Hostetter Formation Dolan (Hostetter) (25177400) Field, Live Oak County, Texas.

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33. O&G 04-0250519: ConocoPhillips Company for the recommendation of a tight gas formation for the Lower and Middle Wilcox Formations Charco (9900) (17130550) Field, Jennings Ranch (Lobo Cons) (46216403) Field, Zapata County, Texas.

34. O&G 08-0250512: Energen Resources Corporation for the recommendation of a tight gas formation for the Devonian and Strawn Formations Frysak Farms (Devonian) (33154200) Field, and St. Lawrence S (Strawn) Field, Glasscock County, Texas.

35. O&G 08-0250520: Encore Operating, L.P. to establish an entity for density for the Gray, Columbus et al. (01719) Lease, Fuhrman-Mascho (33176001) Field, Andrews County, Texas.

36. O&G 03-0250711: Anadarko E&P Company LP for authority pursuant to Statewide Rule 50 to approve or certify an EOR project for the Chalk Hill Unit (22928) Lease, Giddings (Austin Chalk-3) (34733500) Field, Burleson County, Texas.

37. O&G 03-0250712: Anadarko E&P Company LP for authority pursuant to Statewide Rule 50 to approve or certify an EOR project for the Hancock-Hancock "A" (24231) Lease, Giddings (Austin Chalk-3) (34733500) Field, Robertson County, Texas.

38. O&G 03-0250713: Anadarko E&P Company LP for Authority pursuant to statewide rule 50 to approve or certify an EOR project for the Weatherford Unit (23656) Lease, Giddings (Austin Chalk-3) (34733500) Field, Milam County, Texas.

39. O&G 02-0250738: Chesapeake Operating, Inc. for the recommendation of a tight gas formation for the Wilcox Formation Jennie Bell (Wilcox 11500) (46166180) Field, De Witt and Victoria Counties, Texas.

OFFICE OF GENERAL COUNSEL-RULES

40. Statement of reasons for and against adoption of new §§7.6001-7.6007, in 16 Texas Administrative Code, Chapter 7, new Subchapter F, entitled "Pipeline Appeal of City Assessment of Annual Charge," pursuant to Tex. Gov't Code, §2001.030, as requested by the City of Houston. The Commission unanimously approved this item.

ADMINISTRATIVE MATTERS

Executive Office

41. Discussion of and possible action on Fiscal Year 2008-2009 Legislative Appropriation Request and any other pending legislation affecting the Railroad Commission of Texas. No action was taken regarding this item.

AFRED

42. Recommendation to fill a vacancy on the AFRED advisory committee. The Commission unanimously approved the appointment of a new committee member as recommended.

PUBLIC INPUT

47. The Commission will provide an opportunity for general public input on any matter under the jurisdiction of the Commission, in accordance with the policy adopted on September 7, 2005. No member of the general public provided input.

At 9:46 am, Chairman Jones announced that the Commission would recess until 1:00 pm, at which time the Commission would reconvene in room 1-111 for the purpose of hearing oral arguments in Gas Utilities Docket No. 9670.

Pursuant to Texas Government Code, Chapter 551, the following matters will be taken up for oral argument, discussion, and/or decision by the Railroad Commission of Texas at the William B. Travis Building, 1701 North Congress, Room 1-111, First Floor, Austin, Texas, on Tuesday, March 6, 2007, commencing at 1:00 p.m.

Gas Services Protested

1. GUD No. 9670 (and consolidated cases): Petition for De Novo Review of the Reduction of the Gas Utility Rates of Atmos Energy Corp., Mid-Tex Division by the City of Blue Ridge, Caddo Mills, et. al.; Atmos Energy Corporation Statement of Intent to Change Rates in the Atmos Energy Corp., Mid-Tex Division Gas Utility System; and Petition for Review from the Actions of Municipalities Denying Rate Request. The Commission heard oral arguments regarding this case.

At the conclusion of the oral argument, the conference was adjourned at 4:45 pm.