

**RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTIONS
FEBRUARY 23, 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 12-170, Austin, Texas, on Friday, February 23, 2007, commencing at 10:00 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 Protested

1. GUD No. 9667: Application of ONEOK WesTex Transmission, L. P. to Abandon Service to Hemphill Contracting Co., Inc. D/B/A/ Mitchell County Utility Company. The Commission unanimously approved the application.
2. 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 voted unanimously to schedule this item for oral arguments on March 6, 2007.

Gas Services Unprotested

3. GUD No. 9688: Application of Kinder Morgan Texas Pipeline, L.P. pursuant to Section 311 of the Natural Gas Policy Act for the review of the reasonableness of a transportation rate. The Commission unanimously approved the final order.
4. GUD Docket No. 9690: enforcement action against Enterprise Products Operating LP for violations of Pipeline Safety Regulations 49 CFR 195.402(c)(7), 195.402(c)(11), 195.422(a), 195.52, 195.60, 195.507(b), 199.105(b), and 199.223, at Thompsonville Gas Plant, Jim Hogg County, Texas. The Commission unanimously approved the final order.

Surface Mining and Reclamation

5. Docket No. C7-0002-SC-11-F: Application for Release of Phase I Reclamation Liability (355.6 acres - B area) by San Miguel Electric Cooperative, Inc., San Miguel Lignite Mine, Permit No. 11F, McMullen and Atascosa Counties, Texas. The Commission unanimously approved the application.

Oil and Gas Protested

6. O&G 04-0249913: Regency FS LP to Consider a Permit to Construct a Sour Gas Pipeline Pursuant to Statewide Rule 106, Gates Lateral Extension, Gold River, North Area, Webb County, Texas. The Commission unanimously approved the application.

7. O&G 05-0249904: Trend Gathering & Treating, LP to Consider a Permit to Construct a Sour Gas Pipeline Pursuant to Statewide Rule 106, 8 Inch to Day, 12 Inch to Day, Freestone Area Field, Freestone County, Texas. Chairman Jones and Commissioner Carrillo voted to approve the application. Commissioner Williams recused himself.

8. O&G 03-0248561: K-3 Resources, LP to Consider the Application of K-3 Resources, LP for a Commercial Permit Application to Inject Fluid into a Reservoir Productive of Oil or Gas. Richers, E. Lease, Well No. 1, Hamman (38524001) Field, Matagorda County, Texas. The Commission unanimously voted to remand this matter to obtain additional information.

9. O&G 06-0249045: Boni Oil Incorporated Enforcement Action Regarding M & W Investments (11376) Lease, Well Nos. 1A, 2A, 3A, 4A, 5A, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, & 75, Nacogdoches (64296001) Field, Nacogdoches County, Texas. Violation of Rule 14(b)(2). The Commission unanimously approved the final order.

10. O&G 03-0246972: Sterling Energy, Inc. Application pursuant to Statewide Rule 78(g) to reduce the amount of financial assurance required to operate wells within the State of Texas. The Commission unanimously approved the final order.

11. O&G 7B-0247430: Jud and Joanie Edwards Commission called hearing to consider the complaint of Jud and Joanie Edwards that proper notice was not given regarding an exception to Statewide Rule 37 permit granted to Cholla Petroleum, Inc. (Permit No. 607917) for the Rodeo Lease, Well No.1, B.R.A. (Congl.) (04809500), Belding (Bend Congl.), Borock (Miss), Jill (Congl. N), Kimberlin Ranch (Congl. 3620), Lucky Lane (Marble Falls Lm.), P.K. Dam (Congl. 3820), P.K. Lake (Congl.), Palo Pinto Co. Reg. (Gas), Palo Pinto County Regular, Pickwick (Conglomerate), Pickwick (Marble Falls), PK Bass Hollow (Atoka Congl.), Possum Kingdom (Congl.), Possum Kingdom, West (Congl.), Rickels (Conglomerate), Strong (Congl.), Strong, SW (Congl "A"), Whittenburg (Strawn, Lower), Strong, SW (Congl. D), Strong, SW. (Duffer), W. A. Gragg (Atoka Conglomerate), W. A. Gragg, S (Atoka Congl.), and Weldon (Conglomerate) Fields, Palo Pinto County, Texas, and to consider the application of Cholla Petroleum, Inc. for an exception to Statewide Rule 37 for the above referenced well. The Commission unanimously denied the motion for rehearing.

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12. O&G 0244734: Cholla Petroleum, Inc. to consider the administrative approval of an exception to SWR 37 for the State Rodeo Lease, Well No. 1, Palo Pinto County Regular (68707001) Field, Palo Pinto Co. Reg. (Gas) (68707333) Field, Whittenburg (Strawn, Lower) (97141500) Field, Lucky Lane (Marble Falls Lm.) (55486300) Field, Strong, SW (Congl "A") (86725200) Field, Strong, SW (Congl. D) (86725400) Field, Strong, SW. (Duffer) (86725500) Field, Strong (Congl.) (86718500) Field, W. A. Gragg (Atoka Conglomerate) (94181003) Field, W. A. Gragg, S. (Atoka Congl.) (94182003) Field, Rickels (Conglomerate) (76529166) Field, PK Bass Hollow (Atoka Congl.) (68130003) Field, Borock (Miss) (10700400) Field, Possum Kingdom (Congl.) (72518333) Field, Possum Kingdom, West (Congl.) (72524666) Field, Jill (Congl. N) (46356400) Field, Pickwick (Marble Falls) (71370400) Field, B.R.A. (Congl.) (04809500) Field, Pickwick (Conglomerate) (71370200) Field, Kimberlin Ranch (Congl. 3620) (49295200) Field, P.K. Dam (Congl. 3820) (68136500) Field, Weldon (Conglomerate) (96124500) Field, Belding (Bend Congl.) (06852250) Field, P.K. Lake (Congl.) (68140300) Field, Palo Pinto County, Texas. The Commission unanimously denied the motion for rehearing.

13. O&G 08-0248996: Rosemary Oil & Gas enforcement action regarding Stack-state (34366) Lease, Well No. 1201, Vantage Technology, State of Tx (36898) Lease, Well No. 1, Reaves, N. (3200) (75090500) Field, Reeves County, Texas. Violation of Rule 14(b)(2). The Commission unanimously denied the motion for rehearing.

14. O&G 0248858: Indexgeo & Associates, Inc. to consider an exception to SWR 37 for the Leyendecker Lease, Well No. 1, Wildcat (00006001) Field, Colorado County, Texas. The Commission unanimously denied the application.

15. O&G 04-0247766: IBC Petroleum, Inc. enforcement action regarding State Tract 456 (012788) Lease, Well No. 1, Ten Sand Gas Unit 421 (043367) Lease, Well No. 3, State Tract 397 (076517) Lease, Well No. 6, Red Fish Bay-Mus. Is (Common) 10) (75220500) Field, Nueces County, Texas. Violation of Rules 14(b)(2); 14(b)(3); 3(2). The Commission unanimously denied the motion for rehearing.

16. O&G 04-0247767: IBC Petroleum, Inc. enforcement action regarding State Tract 416 (08690) Lease, Well No. 2, Red Fish Bay (Zone 9) (75203256) Field, State Tract 416 (12740) Lease, Well No. 4, Red Fish Bay (Zone 15) (75203544) Field, State Tract 397 (077615) Lease, Well No. 4, Red Fish Bay (Zone 18) (75203672) Field, Nueces County, Texas. Violation of Rules 14(b)(2); 14(b)(3); 3(2). The Commission unanimously denied the motion for rehearing.

17. O&G 04-0247768: IBC Petroleum, Inc. enforcement action regarding State Tract 395 (054731) Lease, Well No. 1, PTSD 444 (11552) Lease, Well No. 1, Red Fish Bay (Zone 29) (75203807) Field, State Tract 445 (074631) Lease, Well No. 1, Red Fish Bay (Zone 43) (75203828) Field, Nueces County, Texas. Violation of Rules 14(b)(2); 14(b)(3). The Commission unanimously denied the motion for rehearing.

18. O&G 04-0247783: IBC Petroleum, Inc. enforcement action regarding State Tract 350 (143219) Lease, Well No. 3, Wildcat (00008001) Field, State Tract 348 (127065) Lease, Well No. 2, Red Fish Bay (Frio 8300) (75203084) Field, State Tract 352 (087886) Lease, Well No. 1, Red Fish Bay (9000-C) (75203925) Field, Nueces County, Texas. Violation of Rules 14(b)(2); 14(b)(3); 3(2). The Commission unanimously denied the motion for rehearing.

Agreed Enforcement Orders

The Commission unanimously approved the following agreed orders:

19. LPG Docket No. 1885: enforcement action against Cleereco Services, Inc. for violations of LP-Gas Safety Rule §9.403(a), at Halbert LPG Inc., Menard, Menard County, Texas, and at Halbert LPG Inc., Eldorado, Schleicher County, Texas.

20. O&G 03-0246420: IPACT enforcement action regarding Luscher (00450) Lease, Well Nos. 7 & 9 Blue Ridge (09880001) Field, Fort Bend County, Texas. Violation of Rules 14(b)(2); 3(1), (2), and (3).

21. O&G 7B-0246542: Proco Operating Co., Inc. enforcement action regarding Dominey (21104) Lease, Well No. 3D, Comanche County Regular (19872001) Field, Comanche County, Texas. Violation of Rules 14(b)(2); 3(1) and (2).

22. O&G 04-0246590: Tristar Oil & Gas enforcement action regarding Wright, Alice, et vir (04732) Lease, Well Nos. 04, & 6A, Neely (Mirando 1150) (64815750) Field, Duval County, Texas. Violation of Rules 14(b)(2); 14(b)(3); 73(i).

23. O&G 7B-0242211: Production Disbursement, Inc. enforcement action regarding (680763) Operator, Spence (123246) Lease, Well No. 1, BBB & C, Blk. 3 (Marble Falls) (04672500) Field, Brown County, Texas. Violation of Rule 8(d)(1).

24. O&G 06-0241517: Harman Operating Company, Inc. enforcement action regarding (357368) Operator, Mills (171085) Lease, Well No. 1, Laneville, East (Woodbine) (51892475) Field, Rusk County, Texas. Violation of Rule 14(d)(12).

25. O&G 01-0249612: Eastern Oil Well Service Company enforcement action regarding (239194) Operator, Water Hauler Permit # 3313, County Road 4828 (Cops Rd.) Field, La Salle County, Texas. Violation of Rule 8(d)(5)(B).

26. O&G 09-0250214: Sierra Exploration Company enforcement action regarding Lowrance (17320) Lease, Well No. 2WD, Ambra (Strawn) (02299500) Field, Jack County, Texas. Violation of Rules 14(b)(2); 3(1), (2), and (3); 8(d)(1); 46(j); 8(d)(4)(G)(i)(III).

OIL AND GAS UNPROTESTED

CONSENT AGENDA

The Commission unanimously approved the following applications:

27. O&G 01-0249940: Blackbrush O & G, Inc. to consider amending the existing special field rules for the Tilden, S. (Edwards Lime 11,500) Field, McMullen County, Texas.

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28. O&G 02-0250154: Transcontinental Minerals Corp. to consolidate the CKP (2300 Miocene), CKP (2900), Enke (700), Enke (800), Enke (1650), Enke (Miocene 2100), Enke (2250), Enke (2550), Enke (2600), Enke (Frio 2700), Enke (2710), Enke (2940), Jacksand (Vicksburg 2900), Kerlick (Frio), Manahuilla, SE. (Frio 2600), Marshall (Frio I), Marshall (2100), Marshall (2510), Marshall (2600), Marshall (2620), Marshall (Frio II B), Marshall (2700), Marshall (Miocene 2800), Marshall (2830), Marshall (2840), Marshall (Frio 3000), Marshall (Frio VII), Marshall, S. (Frio 2640), Marshall, S. (Frio 3200), Marshall, S.W. (Miocene 2310), Marshall, S.W. (Miocene 2350), Post Oak Hollow (Frio 2600), Randy Pickett (600), Weesatche, South (700), Weesatche, South (Frio 1200), Weesatche, South (2100), Weesatche, South (2200), Weesatche, South (Frio 2600), Weesatche, South (Frio 2750), Weesatche, South (Frio 2800), Weesatche, South (Frio 2900), Weesatche, South (Frio 3000), Weesatche, West (Frio 2950), Weser, South (2200), Weser, South (2700), Weser, South (2750), Weser, South (2850), Weser, South (2850 A), Weser, South (2900), Weser, South (2900 A) and Weser, South (2950) Fields into a single field to be known as the Weesatche, South (Consolidated) Field, and to establish permanent field rules for the consolidated field, Goliad and De Witt Counties, Texas.

29. O&G 10-0248173: Washita Oil and Gas, L.L.C. to consider permanent field rules for the Darrouzett (Morrow Lower) (23173200) Field, Lipscomb County, Texas.

30. O&G 10-0248174: Washita Oil and Gas, L.L.C. to Consider permanent field rules for the Darrouzett (St. Louis) (23173400) Field, Lipscomb County, Texas. Applicant will seek standing to have this application considered.

31. O&G 02-0250379: MLC Operating, LP request for administrative rescission of field rules in the McCaskill (Wilcox M-5) Field, Karnes County, Texas.

32. O&G 10-0250147: Grayhawk Operating, Inc. to consider permanent field rules for the Lard Ranch (Granite Wash -C-) (52019750) Field, Roberts County, Texas.

33. O&G 10-0250023: American Star Energy & Min. Corp for an exception to the field rules to allow perforations up to 2508 feet (plus 455 feet sea level datum) for its Bearkiller (04720) Lease, Well No. 12, Panhandle Hutchinson County Field, Hutchinson County, Texas.

34. O&G 10-0250024: American Star Energy & Min. Corp for an exception to the field rules and an extension to Statewide Rule 53 to allow testing relief for its Bearkiller (04720) Lease, Panhandle Hutchinson County Field, Hutchinson County, Texas.

35. O&G 02-0250021: Burlington Resources O & G Co LP to consider permanent gas well classification for its Kunde Lease, Well No. 1 (API No. 42 297 34621), Wildcat Field, Live Oak County, Texas.

36. O&G 06-0249860: Penn Virginia Oil & Gas, L.P. to amend the field rules for the Carthage, North (Cotton Valley) Field, Harrison and Panola Counties, Texas.

37. O&G 04-0250222: Virtex Petroleum Company, Inc. to consider consolidation of the Las Tiendas (Olmos Middle) Field into the Las Tiendas (Olmos) Field, Webb County, Texas.

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38. O&G 03-0249606: Champions Glen L.P. to consider an amendment to an approved qualified mineral subdivision for 203.58 acre tract in the H. D. Laird Survey, A-1669, the J. H. Suttles Survey, A-1660; and the Thomas Martin Survey, A-552, Harris County, Texas. The qualified subdivision was originally approved in Oil & Gas Docket No. 03-0237807.

39. O&G 02-0250308: KCS Resources, Inc. for the Recommendation of a tight gas formation for the Wilcox 12700 Sand Formation, Coquat (12700) (20539777) Field, Live Oak County, Texas.

40. O&G 02-0250309: KCS Resources, Inc. for the recommendation of a tight gas formation for the Wilcox Deltaic Formation, Austin (Wilcox 12,300) (04432600) Field, Goliad County, Texas.

41. O&G 02-0250514: Hughes, Dan A. Company, L.P. for the recommendation of a tight gas formation for the Wilcox Formation, Holzmark (13800 Consolidated) (42383940) Field, Bee County, Texas.

42. O&G 03-0250515: Magnum Producing, LP for the recommendation of a tight gas formation for the Wilcox Formation, Sealy (Wilcox M-2) (81948625) Field, Austin County, Texas.

43. O&G 8A-0248300: Railroad Commission District 08A Commission Called review of the temporary field rules for the Juniper, N. (Bend Congl.) (47711500) Field, Cottle County, Texas.

44. O&G 8A-0250392: Occidental Permian Ltd. for authority pursuant to Statewide Rule 50 to approve or certify an EOR project for the Slaughter Consolidated (68017) Lease, Sundown (Abo) (87157200) Field, Hockley County, Texas.

45. Approval of the claim by 3-D Land, Oil and Gas Company against the proceeds from the sale of salvage recovered during State-funded plugging operations on the following wells: 3-D Land, Oil and Gas Company (953618), Lauster Lease (00301), Well Nos. 1, 3, and 5, Archer County Regular Field, Archer County, Texas; State-funded plug code 09-15277.

46. Approval of the claim by 3-D Land, Oil and Gas Company against the proceeds from the sale of salvage recovered during State-funded plugging operations on the following wells: 3-D Land, Oil and Gas Company (953618), Lauster -B- Lease (14576), Well Nos. 6, 7, 8, 15, 17, 21, A, B, C, and D, Archer County Regular Field, Archer County, Texas; State-funded plug code 09-15320.

Master Default Orders

The Commission unanimously approved the following default orders:

47. GUD No. 9662: City of White Deer for violation of Commission Pipeline Safety Rule §8.201, at City of White Deer, Carson County, Texas.

48. O&G 01-0249629: Comanche Well Service Corp. enforcement action regarding Hinds, F.C -A- (04646) Lease, Well Nos. 1A, 1B, 1E, 1F, 2A, 2B, 2D, 2F, 2G, 3C, 3G, & 4D, Tenney Creek (88824001) Field, Caldwell County, Texas. Violation of Rules 14(b)(2); 13(b)(1)(B); 8(d)(1); 3(1) and (2).

Office of General Counsel - Rules

49. New 16 Tex. Admin. Code §2.1, relating to Informal Complaint Procedure, a process for addressing disputes among entities within the Commission's jurisdiction, including but not limited to natural gas purchasers, sellers, shippers, transporters, and gatherers; GUD No. 9694. The Commission unanimously approved adoption of the rule with changes.

50. New §§7.6001-7.6007, in 16 Texas Administrative Code, Chapter 7, new Subchapter F, to be entitled "Pipeline Appeal of City Assessment of Annual Charge," which implement the provisions of new Texas Natural Resources Code, §117.102, and new Texas Utilities Code, §121.2025, enacted by Senate Bill 480 and House Bill 951, 79th Legislature, Regular Session (2005). The Commission unanimously approved adoption of the rules with amendments.

ADMINISTRATIVE MATTERS

Executive Office

51. Discussion of and possible action on Fiscal Year 2008-2009 Legislative Appropriation Request and any other pending legislation affecting the Railroad Commission of Texas. The Commission unanimously approved moving forward with two legislative bill drafts.

Oil and Gas Division

52. Interagency Cooperation Act Contract with the Texas Department of State Health Services for funding up to \$400,000 and in-kind services for the decommissioning and site remediation of D & G Operating Co., Inc., Evans Unit Lease (Railroad Commission of Texas Lease No. 05775), Well No. 1, Chambers County, Texas. The Commission unanimously approved the interagency contract.

53. Authority to award the bid for Requisition # 455-7-0682. This plug packet includes 15 wells in the Houston District, in Liberty County, Texas. The Commission unanimously approved the bid award.

54. Authority to award an extended service contract for plugging wells with state funds, requisition number 455-7-0711, 46 wells located in Zapata County (District 04); estimated value \$345,000. The Commission unanimously approved the contract.

COMMISSIONERS

Commissioner Carrillo

55. Approval and execution of a letter of support for funding a national environmental program authorized for funding in Section 349 of the 2005 Energy Policy Act, which would provide federal matching funds to aid states in plugging orphan oil and natural gas wells. The Commission unanimously approved this item.

PUBLIC INPUT

56. 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.

The Conference was adjourned at 1:35 pm.