

**RAILROAD COMMISSION OF TEXAS  
FORMAL COMMISSION ACTIONS  
NOVEMBER 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, November 6, 2007, commencing at 9:30 a.m. Chairman Michael L. Williams and Commissioners Victor G. Carrillo and Elizabeth A. Jones were present. Chairman Williams presided.

**OFFICE OF GENERAL COUNSEL – HEARINGS SECTION**

**GAS SERVICES UNPROTESTED**

1. GUD No. 9731: Statement of Intent filed by Hughes Natural Gas, Inc. to change the rates in the environs of Wildwood, Pinehurst, and Magnolia, Texas. The Commission unanimously approved a revised order modifying the percentage for the return on equity, the percentage for the cost of capital, and the rate of return to be used in any interim rate adjustment.
2. GUD No. 9762: Statement of Intent filed by Atmos Energy Corp., Mid-Tex Division to increase gas utility rates in the unincorporated areas served by the Mid-Tex Division. The Commission unanimously approved the proposed suspension order.

**SURFACE MINING AND RECLAMATION**

3. Docket No. C7-0022-SC-05-F: Application by Luminant Mining Company LLC (formerly TXU Mining Company LP) for Phase I Release of Reclamation Liability (378.3 Acres) of Permit No. 5F, Monticello Thermo Mine, Hopkins County, Texas. The Commission unanimously approved the application.

**OIL AND GAS PROTESTED**

4. O&G 86316: Earth Science Exploration, Inc. to consider an exception to SWR 37 for the Jackson Lease, Well No 1a, Cattail Hollow (Congl) (16401500) Field, Smyrna (Atoka) (84360300) Field, Wildcat (00022001) Field, Montague County, Texas. The Commission unanimously approved the final order.
5. O&G 05-0251069: Wortham Oil & Gas application to supercede the provisions of the order in Oil and Gas Docket No. 05-0211978, issued April 14, 1998, requiring the plugging of the Gardner (03207) Lease, Well No.1, Red Oak, South (Sub-Clarksville) (75368500) Field, Leon County, Texas, enabling Wortham Oil & Gas to become the operator of record. The Commission unanimously approved the final order denying the application.

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6. O&G 05-0247628: B & J Oil Company enforcement action regarding Bennett Ranch Lease, Well No. 1 (0601953) Permit, Bennett Ranch Lease, Permit No. n/a Corsicana (Shallow)(20823500) Field, Navarro County, Texas. Violation of Rules 13(b)(2)(A)(I); 14(a)(3); (13)(b)(1)(B); and 5(a). The Commission unanimously approved the enforcement order.

**AGREED ENFORCEMENT ORDERS**

The Commission unanimously approved the following agreed orders:

7. O&G 09-0251600: Hunter Brothers enforcement action regarding Mazda Fendley Wtr Fld Init (11831) Lease, Well Nos.25, 53 & 54 Hunter Bros. (Mazda Fendley Sd.) (43703333) Field, Archer County, Texas. Violation of Rules 14(b)(2); 8(d)(1); 3(2); 46(j); 46(g)(2); and 4(i).

8. O&G 09-0252805: North Texas Llano Operating Corp. enforcement action regarding (614199) Operator, Espinosa Lease, Well No. 1 (0611590) Permit, Newark, East (Barnett Shale) (65280200) Field, Johnson County, Texas. Violation of Rules 14(b)(2) and 16(a).

9. O&G 08-0248245: Makk Oil Production Inc. enforcement action regarding Grimes (08756) Lease, Well No. 7w, Ward, South (95138001) Field, Ward County, Texas. Violation of Rules 14(b)(2) and 46(j).

10. O&G 7C-0250652: Nitram Oil and Gas Inc. enforcement action regarding Nitram-pope Lease, Well No. 5 (0541483) Permit, Wildcat (00016001) Field, Concho County, Texas. Violation of Rules 14(b)(2) and 16(a).

11. O&G 01-0249628: Prevail Energy, Incorporated enforcement action regarding Psencik Unit (13809) Lease, Well No. 01, & Tank Battery Kelly Lynne (Anachcho) (48560100) Field, Wilson County, Texas. Violation of Rules 8(d)(1) and 14(b)(2).

12. O&G 08-0252221: BC Operating, Inc. enforcement action regarding Walker (22624) Lease, Well Nos. 2, & 3 Ward, South (95138001) Field, Ward County, Texas. Violation of Rules 14(b)(2) and (3) and 3(2) and (3).

13. O&G 06-0251700: Basa Resources, Inc. enforcement action regarding Alba/southeast Fault Block/unit (05477) Lease, Well No.2016, Alba (01111001) Field, Wood County, Texas. Violation of Rule 14(b)(1).

14. O&G 02-0252519: Double Play Oil & Gas, Inc. enforcement action regarding Borchers Estate (105820) Lease, Well No.13, Borchers (1370) (10634120) Field, Lavaca County, Texas. Violation of Rules 14(b)(2) and (3).

15. O&G 09-0250737: Quinlan Engineering enforcement action regarding Wilson -Ee- (16265) Lease, Well No. 1d, Archer County Regular (03446001) Field, Archer County, Texas. Violation of Rules 14(b)(2) and 9(12).

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16. O&G 03-0252812: Bailey Petroleum, Inc. enforcement action regarding Tharp (11169) Lease, Well No. 1d, Rankin (74691001) Field, Harris County, Texas. Violation of Rules 9(9)(A) and 13(a)(1).

17. O&G 09-0251997: Chesapeake Operating, Inc. enforcement action regarding Poteet-Shaw (226145) Lease, Well No.2h, Parker (226156) Lease, Well No.2h, Silver down Easter "A" Lse. # 1h (0626246) Permit, Newark, East (Barnett Shale) (65280200) Field, Johnson County, Texas. Violation of Rules 13(b)(2)(A)(i) and 5(c).

18. O&G 09-0252463: Chesapeake Operating, Inc. enforcement action regarding Silver down Easter "A" Lease, 3h (0626249) Permit, Newark, East (Barnett Shale) (65280200) Field, Johnson County, Texas. Violation of Rule 13(b)(2)(A)(i).

19. LP-Gas Docket No. 1927: Double D enforcement action for violation of LP-Gas Safety Rule §9.17(e)(1) and (2), at Double D Food & Fuel #5, Mexia, Limestone County, Texas.

20. LP-Gas Docket No. 1933: Valero Retail Holding Inc. enforcement action for violation of LP-Gas Safety Rule §9.17(e)(1) and (2), at Diamond Shamrock, Mesquite, Dallas County, Texas.

**OIL AND GAS UNPROTESTED**

**CONSENT AGENDA**

The Commission unanimously approved the following applications:

21. O&G 01-0253101: XTO Energy Inc. to consider increased net gas-oil ratio authority and to cancel overproduction, W.T. Hurt Lease, (Id 14825), Fashing (Edwards Lime -A-) Field, Atascosa County, Texas.

22. O&G 03-0253235: Texcal Energy (Gp) LLC to amend the permanent field rules for the Hastings, East Field, Brazoria and Galveston Counties, Texas.

23. O&G 03-0253236: Texcal Energy (Gp) LLC to amend the permanent field rules for the Hastings, West Field, Brazoria and Galveston Counties, Texas.

24. O&G 04-0253178: Kerr-McGee Oil & Gas Onshore LP to consider a net gas-oil ratio for its Montalvo, N. R. (13431) Lease, Well No. 16, Sun, North (6250) Field, Starr County, Texas.

25. O&G 04-0253662: Kerr-McGee Oil & Gas Onshore LP to consolidate the Frost (6800 Vicksburg) Field into the Braulia, East (Vicksburg Cons) Field, and to amend the field rules for the Braulia, East (Vicksburg Cons) Field, Starr County, Texas.

26. O&G 06-0253371: 3-T Exploration, Inc. to amend the permanent field rules for the Lane Chapel (Paluxy A Sand) Field, Smith County, Texas.

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27. O&G 06-0253480: XTO Energy Inc. to consider consolidation of the Cherokee Trace (Jur. Bradshaw) and Cherokee Trace (Jur.- Harrison) Fields into the Cherokee Trace (Jurassic) Field, and to adopt field rules for the consolidated field, Upshur County, Texas.
28. O&G 7C-0252363: Terrace Petroleum Corporation to consider an MER and cancellation of overproduction, Railway Ranch "18" Lease, Well No. 1, Spraberry (Trend Area) Field, Upton County, Texas.
29. O&G 8A-0252927: Sharp Image Energy, Inc. to consider temporary field rules for the Cooper Creek (Strawn "C") (20430600) Field, Kent County, Texas.
30. O&G 8A-0253664: Merit Energy Company to amend the permanent field rules for the Broadview, West (Clear Fork) (12118500) Field, Lubbock County, Texas.
31. O&G 06-0253478: Exxon Mobil Corporation to balance the Overton (Haynesville) Field, Smith County, Texas.
32. O&G 06-0252808: Dorado Operating Inc. to consider an exception to SWR 39, to allow non-contiguous acreage for its Williams Gas Unit, Well No. 1, Beckville, North (Cotton Valley) Field, Panola County, Texas.
33. O&G 06-0253202: Samson Lone Star, LLC to consider permanent field rules for the Martinsville (Travis Peak) Field, Nacogdoches and Shelby Counties, Texas.
34. O&G 06-0253302: Goodrich Petroleum Company to consider permanent field rules for the Brachfield, S.E. (Cotton Valley) Field, Rusk and Panola Counties, Texas.
35. O&G 08-0253252: Ok Arena Operating Company to amend the field rules for the Fuhrman-Mascho Field, Andrews, Ector and Midland Counties, Texas.
36. O&G 8A-0253372: Cholla Petroleum, Inc. to consider an AOF allowable designation for the Boyles (Atoka Congl.) Field, Cottle County, Texas.
37. O&G 10-0253474: Jones Energy, Ltd. to change the field classification from oil to gas, Big Lebowski (Upper Morrow) Field, Ochiltree County, Texas.
38. O&G 02-0253965: Newfield Exploration Company for the recommendation of a tight gas formation for the Wilcox Formation, Tom Long (Lower Wilcox) Field, Lavaca County, Texas.
39. O&G 7C-0253683: Samson Lone Star LLC for the recommendation of a tight gas formation for the Strawn Formation, Miller (Strawn) Field, Crockett County, Texas.
40. O&G 06-0253680: Samson Lone Star LLC for the recommendation of a tight gas formation for the James Lime Formation, Douglass (James Lime) Field, Nacogdoches County, Texas.
41. O&G 10-0253682: Mewbourne Oil Company for the recommendation of a tight gas formation for the Atoka Formation, Lipscomb (Atoka 9200) & Lipscomb (Atoka) Field, Lipscomb County, Texas.

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42. O&G 06-0253969: GMT Exploration Co. Texas LLC for the recommendation of a tight gas formation for the Travis Peak Formation, Naconiche Creek (Rod-TP Cons) Field, Nacogdoches County, Texas.
43. O&G 02-0253971: Petrohawk Operating Company for the recommendation of a tight gas formation for the 14,900 Sand Formation, Fifteen Mile Creek (Wilcox), De Witt and Goliad Counties, Texas.
44. O&G 02-0253972: Petrohawk Operating Company for the recommendation of a tight gas formation for the 14,400 Sand Formation, Fifteen Mile Creek (Wilcox), De Witt and Goliad Counties, Texas.
45. O&G 03-0253973: Union Gas Operating Company for the recommendation of a tight gas formation for the Wilcox (East Area) Formation, Vickers (Wilcox Middle), Hardin County, Texas.
46. O&G 03-0253974: Union Gas Operating Company for the recommendation of a tight gas formation for the Wilcox (West Area) Formation, Vickers (Wilcox Middle), Hardin County, Texas.
47. O&G 06-0253975: Encana Oil & Gas (USA) Inc. for the recommendation of a tight gas formation for the Travis Peak Formation, Martinsville (Travis Peak), Nacogdoches and Shelby Counties, Texas.
48. O&G 04-0253684: Peoples Energy Prod-LP for the recommendation of a tight gas formation for the Wilcox Formation, Roleta (7483), Zapata County, Texas.
49. O&G 03-0253970: Royal Production Company Inc. for the recommendation of a tight gas formation for the Wilcox Formation, Fulshear, S (Wilcox), Fort Bend County, Texas.
50. O&G 8A-0254034: Parallel Petroleum Corporation for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the McLaughlin Acct. 1 (063225) Lease, Diamond -M- (Clear Fork) (24562284) Field, Scurry County, Texas.
51. O&G 8A-0254035: Parallel Petroleum Corporation for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the McLaughlin Acct-4 (066956) Lease, Diamond -M- (Clear Fork) (24562284) Field, Scurry County, Texas.
52. O&G 8A-0254036: Parallel Petroleum Corporation for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the Thurston (063055) Lease, Diamond -M- (Clear Fork) (24562284) Field, Scurry County, Texas.
53. O&G 8A-0254037: Parallel Petroleum Corporation for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the Jack (001047) Lease, Diamond -M- (Clear Fork) (24562284) Field, Scurry County, Texas.
54. O&G 8A-0254031: Apache Corporation for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the Adair San Andres Unit (017304) Lease, Adair (00570001) Field, Gaines County, Texas.

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55. O&G 08-0254032: Devon Energy Production co, L.P. for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the Henderson, M. F. (007153) Lease, Waddell (94482001) Field, Crane County, Texas.

56. O&G 8A-0253913: Occidental Permian LTD. for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the Gibson Unit (062541) Lease, Wasson 72 (95431001) Field, Yoakum County, Texas.

57. O&G 8A-0253894: Parallel Petroleum Corporation for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the Gertie (001046) Lease, Diamond -M- (Clear Fork) (24562284) Field, Scurry County, Texas.

58. O&G 8A-0254033: Parallel Petroleum Corporation for authority pursuant to Statewide Rule 50 to approve or certify an EOR Project for the McLaughlin Acct. 2 (063887) Lease, Diamond -M- (Clear Fork) (24562284) Field, Scurry County, Texas.

### **MASTER DEFAULT ORDERS**

The Commission unanimously approved the following default orders:

59. O&G 01-0252067: H - A Energy, Inc. enforcement action regarding Roland, P. (11820) Lease, Well No. 02, Riddle (76562001) Field, Bastrop County, Texas. Violation of Rule 14(b)(2).

60. O&G 02-0252068: Petrogas Operating Corporation enforcement action regarding (660279) Operator, Woods, John Jr. Lease, Well No. 1 (0613543) Permit, Buchel (Edwards) (12865500) Field, De Witt County, Texas. Violation of Rules 14(b)(2) and 16(b).

61. O&G 7B-0245783: Eagle Energy Corporation enforcement action regarding Coomer (084802) Lease, Well No.1, Poolville, Sw. (Congl. 4700) (72306700) Field, Parker County, Texas. Violation of Rules 14(b)(2); 3(1), (2), and (3); 8(d)(1); and 8(d)(4)(G)(i)(III).

### **OFFICE OF GENERAL COUNSEL-RULES**

#### **PROPOSAL**

62. Amendment of 16 Tex. Admin. Code §2.1, relating to Informal Complaint Procedure, and new §2.5, relating to Informal Complaint Process Regarding Lost or Unaccounted for Gas (LUG), and §2.7, relating to Administrative Penalties for Failure to Participate, to implement House Bills 1920 and 3273, 80th Legislature (2007) (GUD No. 9755). The Commission approved publishing for a 30-day comment period.

63. New 16 Tex. Admin. Code §7.7003, relating to Administrative Penalties and Other Remedies for Discrimination, and §7.7005, relating to Authority to Set Rates, to implement House Bill 3273, 80th Legislature (2007) (GUD No. 9756). The Commission approved publishing for a 30-day comment period.

**ADOPTION**

64. Amendment of 16 Tex. Admin. Code, §3.1, relating to Organization Report; Retention of Records; Notice Requirements, §3.58, relating to Oil, Gas, or Geothermal Resource Operator's Reports; §3.73, relating to Pipeline Connection; Cancellation of Certificate of Compliance; Severance; and §3.78, relating to Fees and Financial Security Requirements, to implement the provisions of Senate Bill 1670, 80th Legislature (2007), regarding circumstances under which the Commission may refuse to renew an operator's organization report, and to make conforming amendments; O&G 20-0252949. The Commission unanimously approved adoption of the rule amendments.

**ADMINISTRATIVE MATTERS**

**OIL AND GAS DIVISION**

65. Authority to award an extended service contract for plugging wells with state funds, requisition number 455-8-0091, 13 wells located in Rusk County (District 06); estimated value \$303,049. The Commission unanimously approved this item.

**COMMISSIONERS**

**Chairman Williams**

66. Discussion and possible action on Pipeline Safety Initiative to require increased leakage surveys, leak repairs, and replacement programs for natural gas distribution systems. By a vote of 2-1, with Commissioner Carrillo voting no, the Commission adopted the Chairman's directive to immediately remove and replace non-restraint compression couplings at service risers. The Commission voted (3-0) to initiate rulemaking to consider implementing Chairman Williams' other two proposals for increased leak inspections and to shorten the timeframe required to repair leaks, and initiated rulemaking on the removal and replacement of non-restraint compression couplings at service riser installations.

**PUBLIC INPUT**

67. 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. The Commission received comments from Mr. Jay Marcom.

The conference was adjourned at 11:10 am.