

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET NO. 03-0280441

APPLICATION OF H.E.R. OPERATING, L.L.C. TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER IN DOCKET NO. 03-0268073 SIGNED BY THE COMMISSIONERS ON AUGUST 28, 2012 REQUIRING LAIRD, WAYNE, SOLE PROPRIETOR (OP. NO. 482492) TO PLUG THE TATUM-WHEAT, ET AL (RRC NO. 05969) LEASE, WELL NOS. 1 AND 2 AND THE BURCH-WHEAT CENTRAL BATTERY (RRC NO. 09641) LEASE, WELL NO. 1, SOUR LAKE FIELD, HARDIN COUNTY, TEXAS AND ENABLING H.E.R. OPERATING, L.L.C. TO BECOME OPERATOR OF RECORD.

FINAL ORDER

The Commission finds that after statutory notice the above-captioned proceeding was heard by the examiners on March 15, 2013. Having been duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. Laird, Wayne, Sole Proprietor (hereinafter "Laird") and H.E.R. Operating, L.L.C. (Hereinafter "H.E.R.") were given at least 10 days notice of this proceeding. H.E.R. appeared at the scheduled time and place for the hearing through its Managing Member, Jacob L. Watts, and presented evidence. Laird did not appear. H.E.R. has agreed on the record to waive issuance of a PFD and that this Final Order shall be effective as of the date a Master Order relating to this Final Order is signed.
2. H.E.R. filed its first Commission Form P-5 (Organization Report) with the Commission on August 16, 2011 and is currently active. H.E.R. posted financial assurance with the Commission in the form of a \$50,000 bond which expires December 31, 2013.
3. Laird was recognized as the operator of the Tatum-Wheat, et al (05969) Lease, Well Nos. 1 and 2, and the Burch-Wheat Central Battery (09641) Lease, Well Nos. 1 and 2 by filing Forms P-4 (Producer's Transportation Authority and Certificate of Compliance) effective on February 1, 1998 for both leases.
4. In Oil & Gas Docket No. 03-0268073, Laird was ordered to plug the Tatum-Wheat, et al (05969) Lease, Well Nos. 1 and 2 and the Burch-Wheat Central Battery (09641) Lease, Well No. 1 in the Sour Lake Field, Hardin County, Texas and pay an administrative penalty of \$6,500.

5. H.E.R. provided a mineral deed on the subject land and leases which was granted to H.E.R. by Wayne and Betty Laird in the Parsons and Hart Addition or Subdivision, Abstract 34, Stephen Jackson League, Sour Lake, Hardin County.
6. H.E.R. has filed two-signature Forms P-4 with the Commission seeking to become operator of the Tatum-Wheat, et al (05969) Lease, Well Nos. 1 and 2; the Burch-Wheat Central Battery (09641) Lease, Well Nos 1 and 2; and the Havlic-Tatum, et al (05931) Lease, Well No. 1, for a total of five wells. Three of these wells are at issue in this supercede docket. The remaining two wells will transfer administratively due to the filed two-signature P-4s.
7. H.E.R. states that the leases and wells are over a salt dome. H.E.R. calculates that the lease originally had 200,000 BO in place and that only 65,389 BO have been produced, leaving 138,811 BO in place. H.E.R. believes that when the wells are brought on line, the wells should produce 10 to 15 BO per day, for an estimated monthly production of 10 to 15 BO per day. That would yield an estimated monthly production of 300 to 450 BO per month. H.E.R. also plans to drill two new wells on the leases and believes this will increase production to 30 to 45 BO per day.
8. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 03-0268073 that the Tatum-Wheat, et al (05969) Lease, Well Nos. 1 and 2 and the Burch-Wheat Central Battery (09641) Lease, Well No. 1, be plugged is necessary to prevent waste.
9. The requirement in the Final Order in Oil & Gas Docket 03-0268073 that Laird pay an administrative penalty of \$6,500.00 will remain in effect.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to the appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. H.E.R. Operating, L.L.C. has a good faith claim of a right to operate the subject leases.
4. H.E.R. Operating, L.L.C. has filed financial assurance in the type and amount required under Texas Natural Resources Code §91.107 to be approved as the operator of the subject lease.
5. A Final Order superceding that portion of the Final Order entered in Oil & Gas Docket No. 03-0268073 which required plugging of the Tatum-Wheat, et al (05969) Lease, Well Nos. 1 and 2 and the Burch-Wheat Central Battery (09641) Lease, Well No. 1, is necessary to prevent waste.
6. The Final Order in this Docket superceding the Final Order in Oil & Gas Docket 03-0268073 is effective only as to removing the plugging requirement for the Tatum-Wheat, et al (05969)

Lease, Well Nos. 1 and 2 and the Burch-Wheat Central Battery (09641) Lease, Well No. 1 and does not relieve Laird, Wayne, Sole Proprietor (Op. No. 482492) of his obligation to pay an administrative penalty of \$6,500.00 to the Railroad Commission.

7. Pursuant to §2001.144(a)(4) of the Texas Government Code, and the agreement of H.E.R. Operating, L.L.C., this Final Order is effective when a Master Order relating to this Final Order is signed on May 21, 2013.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 03-0268073 requiring plugging of the Tatum-Wheat, et al (05969) Lease, Well Nos. 1 and 2 and the Burch-Wheat Central Battery (09641) Lease, Well No. 1 is hereby superceded. All other provisions of the Final Order shall remain in full force and effect.

It is further **ORDERED** that the two-signature Forms P-4 (Certificate of Compliance and Transportation Authority) filed by Evergreen Energy, Inc. to change the operator of the Tatum-Wheat, et al (05969) Lease, Well Nos. 1 and 2 and the Burch-Wheat Central Battery (09641) Lease, Well No. 1, Sour Lake Field, Hardin County, from Laird, Wayne to H.E.R. Operating, L.L.C. is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on May 21, 2013, when the Master Order relating to this Final Order is signed.

All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 7th day of May, 2013, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
May 7, 2013)**