

**RAILROAD COMMISSION OF TEXAS**  
**OFFICE OF GENERAL COUNSEL**  
**HEARINGS SECTION**

**OIL AND GAS DOCKET No. 03-0267791**

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**APPLICATION OF LIVE OAK OPERATING AND PRODUCTION, LLC TO SUPERCEDE THE PROVISIONS OF THE FINAL ORDER IN DOCKET No. 03-0262226 SIGNED ON DECEMBER 18, 2007 REQUIRING THE PLUGGING OF WELL NOS. 1 AND 3, ALEXANDER-BURT (02415) LEASE, HUMBLE FIELD, HARRIS COUNTY, TEXAS, ENABLING LIVE OAK OPERATING AND PRODUCTION, LLC TO BECOME THE OPERATOR OF RECORD.**

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**FINAL ORDER**

The Commission finds that after statutory notice the above-captioned proceeding was heard by the examiner on November 5, 2010. 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. Live Oak Operating and Production, LLC (hereinafter "Live Oak") and Hidalgo Exploration & Prod. Co. (hereinafter "Hidalgo") were given at least 10 days notice of this proceeding. Live Oak appeared at the scheduled time and place for the hearing through its Manager, Paul Cothran and its Consultant, Dale Miller, and presented evidence. Hidalgo did not appear. Live Oak 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. Live Oak filed its first Commission Form P-5 (Organization Report) with the Commission on April 21, 2008, and filed its most recent Commission Form P-5 on March 25, 2010. Live Oak has posted financial assurance with the Commission in the form of a \$50,000 bond, which expires September 30, 2011.
3. Hidalgo was recognized as the operator of the Alexander-Burt (02415) Lease, Well Nos. 1 and 3 (hereinafter "subject lease and well") after filing Commission Forms P-4 (Producer's Transportation Authority and Certificate of Compliance), effective October 6, 2005.
4. In Oil & Gas Docket No. 03-0262226, Hidalgo was ordered to plug the Alexander-Burt (02415) Lease, Well Nos. 1 and 3, and pay an administrative penalty of \$8,000.
5. Live Oak provided a copy of a lease dated November 1, 2010 with a one year primary term on the subject lease and wells granted by The Samuel Robert Cothran Trust to Live Oak Operating and Production, LLC.

6. Superceding the requirement in the Final Order entered in Oil & Gas Docket No. 03-0262226 that the Alexander-Burt (02415) Lease, Well Nos. 1 and 3 be plugged is necessary to prevent waste.
  - (a) A log of the field interval in the Alexander-Burt Well No. 3 indicates two possible sections of hydrocarbon pay above the currently perforated zone. Live Oak plans to test these intervals and produce them.
  - (b) The Alexander-Burt Well No. 1 is directly adjacent to the Alexander-Burt Well No. 3 and would very likely show a log similar to that of the Well No. 3. Live Oak presented a core description taken of the Well No. 1 which indicates several possible hydrocarbon pay zones over the interval from 1508 feet to 2016 feet. Live Oak plans to test these intervals and produce them.
  - (c) Allowing Live Oak to test the possible productive zones in the Alexander-Burt (02415) Lease, Well Nos. 1 and 3 may result in the production of hydrocarbons that would otherwise be wasted.
  - (d) Live Oak estimates that there may be as much as 65,000 barrels of recoverable oil in the untested pay intervals.
7. The requirement in the Final Order in Oil & Gas Docket 03-0262226 that Hidalgo pay an administrative penalty of \$8,000 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. Live Oak has a good faith claim of a right to operate the subject lease.
4. Live Oak 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 the Final Order entered in Oil & Gas Docket No. 03-0262226 requiring plugging of the Alexander-Burt (02415) Lease, Well Nos. 1 and 3, Humble Field, Harris County, is necessary to prevent waste.
6. The Final Order in this Docket superceding the Final Order in Oil & Gas Docket 03-0262226 is effective only as to the disposition of the Alexander-Burt (02415) Lease, Well Nos. 1 and 3, Humble Field, Harris County, and does not relieve Hidalgo of its obligation to pay an administrative penalty of \$8,000 to the Railroad Commission.

7. Pursuant to §2001.144(a)(4) of the Texas Government Code, and the agreement of Live Oak, this Final Order is effective when a Master Order relating to this Final Order is signed on November 30, 2010.

It is accordingly **ORDERED** that the provision in the Final Order entered in Oil & Gas Docket No. 03-0262226 requiring plugging of Well Nos. 1 and 3 on the Alexander-Burt (02415) Lease, Humble Field, Harris County is hereby superceded. All other provisions of the Final Order shall remain in full force and effect.

It is further **ORDERED** that the Form P-4 (Certificate of Compliance and Transportation Authority) filed by Live Oak to change the operator of Well Nos. 1 and 3 on the Alexander-Burt (02415) Lease, Humble Field, Harris County, from Hidalgo Exploration & Prod. Co. to Live Oak Operating and Production, LLC is hereby **APPROVED**.

It is further **ORDERED** by the Commission that this order shall be effective on November 30, 2010, 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 30th day of November, 2010, in Austin, Texas.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotested Master Order dated  
November 30, 2010)**