

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

OIL & GAS DOCKET NO. 01-0272413

APPLICATION OF NORDSTRAND ENGINEERING, INC. TO SUPERCEDE THE FINAL ORDER SIGNED ON OCTOBER 22, 2009, IN OIL & GAS DOCKET NO. 01-0262233 REQUIRING THAT THE ROSE M. KRUSE (12290) LEASE, WELL NO. 2, MARCELINA CREEK (BUDA) FIELD, WILSON COUNTY, TEXAS, BE PLUGGED, ENABLING NORDSTRAND ENGINEERING, INC. TO BECOME THE OPERATOR OF RECORD

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by the examiner on October 26, 2011. The proceeding 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. At least 10 days notice of this proceeding was given to Nordstrand Engineering, Inc. ("Nordstrand") and Texas Land Operating, LLC ("TLO"). Nordstrand appeared at the hearing on October 26, 2011, and presented evidence. No person appeared at the hearing in opposition to the application. Nordstrand has waived the issuance of a proposal for decision in this docket, and has agreed, in writing, that this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.
2. On October 23, 2009, the Commission served a Final Order in Oil & Gas Docket No. 01-0262233 requiring, among other things, that TLO plug the Rose M. Kruse (12290) Lease, Well No. 2 (the "subject well"), Marcelina Creek (Buda) Field, Wilson County, Texas.
3. TLO has not complied with the Final Order in Oil & Gas Docket No. 01-0262233 by plugging the subject well, and TLO presently is the designated operator of the well on records of the Commission. The Commission has officially noticed that the Form P-5 organization report of TLO has been delinquent since April 1, 2009.
4. Nordstrand has filed with the Commission a Form P-4 (Certificate of Compliance and Transportation Authority), signed on behalf of both Nordstrand and TLO, requesting a change of operator of the subject lease and well from TLO to Nordstrand.

5. On September 6, 2011, Nordstrand filed with the Commission a request for hearing to consider whether the Commission should enter an order superceding the Final Order in Oil & Gas Docket No. 01-0262233 insofar as it required that the subject well be plugged.
6. Nordstrand has an active Form P-5 organization report and approved financial assurance on file in the amount of \$50,000. Nordstrand's financial assurance is in a sufficient amount to cover the subject well in the event it is transferred to Nordstrand.
7. Nordstrand has a good faith claim to a right to operate the subject lease and well.
 - a. Nordstrand is the lessee in two Paid Up Oil and Gas Leases dated May 20, 2011, and made by the mineral owners of approximately 36.41 acres around the subject well. The leases have a primary term of two years and are currently in effect.
8. Superceding the Final Order in Oil & Gas Docket No. 01-0262233 insofar as it required that the subject well be plugged, and permitting Nordstrand to become the designated operator of the well, likely will prevent the ultimate loss of hydrocarbons.
 - a. Production for the subject well was last reported to the Commission prior to January 1, 1993.
 - b. Nordstrand intends to test the well and restore production from the Marcelina Creek (Buda) Field.
 - c. If restoring production from the Marcelina Creek (Buda) Field is unsuccessful, then Nordstrand intends to recomplete the well in and produce from the Cindy Ann (Austin Chalk, Oil) Field.
 - d. Nordstrand is the operator of a well that is located on an adjacent lease and that produces from the Cindy Ann (Austin Chalk, Oil) Field. Reported production from this well for July and August of 2011 has been 150 and 167 barrels of oil, respectively.
 - e. Use of the existing wellbore of the subject well to recover the remaining hydrocarbons from the Rose M. Kruse Lease will be more practical and economical than drilling a new well to recover the same reserves.
9. There is no affiliation between Nordstrand and TLO.
10. There is no evidence that superceding the Final Order in Oil & Gas Docket No. 01-0262233 insofar as it required that the subject well be plugged, and permitting Nordstrand to become the designated operator of the well, will endanger natural resources or circumvent Commission rules.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties to this hearing have been performed or have occurred.
3. Nordstrand is an active operator and has sufficient financial assurance on file with the Commission pursuant to Texas Natural Resources Code §§91.104, 91.1042, and 91.107.
4. Conditions respecting the subject well have changed since issuance of the Commission's Final Order in Oil & Gas Docket No. 01-0262233.
5. Nordstrand has a good faith claim to a current right to operate the subject well.
6. Superceding the Final Order in Oil & Gas Docket No. 01-0262233 insofar as it required that the subject well be plugged, and permitting Nordstrand to become the designated operator of the well, will promote conservation of natural resources and prevention of waste pursuant to Texas Natural Resources Code §85.201.
7. Pursuant to Texas Government Code §2001.144(a)(4), and the agreement and consent of all parties, this Final Order is effective when a Master Order relating to this Final Order is signed on November 22, 2011.

It is accordingly **ORDERED** that the Final Order served on October 23, 2009, in Oil & Gas Docket No. 01-0262233 is hereby superceded only insofar as it required that the Rose M. Kruse (12290) Lease, Well No. 2, Marcelina Creek (Buda) Field, Wilson County, Texas, be plugged. All other provisions of the Final Order in Oil & Gas Docket No. 01-0262233 remain in full force and effect.

It is further **ORDERED** that the Form P-4 (Certificate of Compliance and Transportation Authority) filed with the Commission requesting a change of operator of the Rose M. Kruse (12290) Lease, Well No. 2, Marcelina Creek (Buda) Field, Wilson County, Texas, from Texas Land Operating, LLC to Nordstrand Engineering, Inc. is hereby **APPROVED**.

It is further **ORDERED** that this Final Order shall be effective on November 22, 2011, 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 22nd day of November 2011, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
November 22, 2011)**