

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL & GAS DOCKET NO. 04-0249598

APPLICATION OF DOUBLE PLAY OIL & GAS, INC., TO CONSIDER WHETHER THE FINAL ORDER ISSUED OCTOBER 25, 2000, IN OIL & GAS DOCKET NO. 04-0219222 SHOULD BE SUPERCEDED INsofar AS IT ORDERED THAT THE B. P. GONZALES UNIT "A" LEASE, WELL NO. 3, SOUTH KELSEY (6080) FIELD, B. P. GONZALES UNIT "A" LEASE, WELL NO. 6, SOUTH KELSEY (5350) FIELD, AND B. P. GONZALES UNIT "A" LEASE, WELL NO. 7, SOUTH KELSEY (CLARK UP.) FIELD, STARR COUNTY, TEXAS BE PLUGGED AND WHETHER SUCH WELLS SHOULD BE TRANSFERRED FROM SCORE ENERGY COMPANY TO DOUBLE PLAY OIL & GAS, INC.

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by the examiners on January 3, 2007. 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 Double Play Oil & Gas, Inc. ("Double Play") and Score Energy Company ("Score"). Double Play appeared at the hearing on January 3, 2007, and presented evidence. No person appeared in opposition to the Double Play application, and Double Play announced on the record at the hearing that it waived the issuance of a proposal for decision in this docket. All parties have agreed on the record that this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.
2. On October 25, 2000, the Commission signed a Final Order in Oil & Gas Docket No. 04-0219222 requiring, among other things, that Score plug the B. P. Gonzales Unit "A" Lease, Well No. 3 (RRC No. 060501), South Kelsey (6080) Field, the B. P. Gonzales Unit "A" Lease, Well No. 6 (RRC No. 061298), South Kelsey (5350) Field, and the B. P. Gonzales Unit "A" Lease, Well No. 7 (RRC No. 043267), South Kelsey (Clark Up.) Field ("subject wells"), all in Starr County, Texas.
3. Score has not complied with the Final Order in Oil & Gas Docket No. 04-0219222, and the subject wells remained unplugged. Score presently is the designated operator of the subject wells on records of the Commission.

4. The Form P-5 organization report of Score has been delinquent since January 1, 1997, and Score has no financial assurance on file with the Commission.
5. On September 6, 2006, Double Play filed Forms P-4 (Certificate of Compliance and Transportation Authority) with the Commission requesting a change of operator of the subject wells from Score to Double Play.
6. On October 18, 2006, Double Play 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. 04-0219222 insofar as it required that the subject wells be plugged.
7. Double Play has an active Form P-5 organization report and approved financial assurance on file with the Commission in the form of a \$50,000 letter of credit.
8. There is no affiliation between Double Play and Score.
9. McCauley-Dunn Energy Investments, Inc. (“McCauley-Dunn”), possesses currently effective oil and gas leases covering the properties on which the subject wells are located. McCauley-Dunn has entered into a contract operating agreement with Double Play, pursuant to which Double-Play is granted the right to operate the involved McCauley-Dunn leases.
10. Superceding the Final Order in Oil & Gas Docket No. 04-0219222 insofar as it required the subject wells to be plugged, and permitting Double Play to become the designated operator of the wells, likely will prevent the ultimate loss of hydrocarbons.
 - a. The South Kelsey (6080), South Kelsey (5350), and South Kelsey (Clark Up.) Fields were consolidated into the Kelsey (Frio Consolidated) Field by Final Order in Oil & Gas Docket No. 04-0223240, effective January 21, 2000.
 - b. Field rules for the Kelsey (Frio Consolidated) Field provide that the entire correlative interval from 4,496' (top of Frio) to 7,020' (top of Vicksburg) shall be designated as a single reservoir.
 - c. The subject wells currently are completed in the shallower portion of the correlative interval of the Kelsey (Frio Consolidated) Field, and about two-thirds of this interval has yet to be tested or produced by the subject wells.
 - d. Score used gas lift to produce the subject wells. Double Play believes that Score ceased to produce them when it could not afford to re-equip the wells for production. Double Play intends to recomplate the wells in portions of the correlative interval of the Kelsey (Frio Consolidated) Field that have not yet been tested or produced by these wells, and will equip the wells for production by beam lift.

- e. Based on its analysis of the cumulative production from the same interval of other nearby wells, Double Play estimates that upon recompletion, the subject wells will produce 5-7 barrels of oil equivalent (“BOE”) per day. Double Play believes that as recompleted, the subject wells ultimately will recover up to 30,000 BOE.
11. Superceding the Final Order in Oil & Gas Docket No. 04-0219222 insofar as it required the subject wells to be plugged, and permitting Double Play to become the designated operator of the wells, will not 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. Double Play Oil & Gas, Inc., 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 wells have changed since issuance of the Commission’s Final Order in Oil & Gas Docket No. 04-0219222.
5. Double Play Oil & Gas, Inc., has a good faith claim of a current right to operate the subject wells.
6. Superceding the Final Order in Oil & Gas Docket No. 04-0219222 insofar as it required that the subject wells be plugged, and permitting Double Play Oil & Gas, Inc., to become the designated operator of the wells, 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 January 23, 2007.

It is accordingly **ORDERED** that the Final Order signed on October 25, 2000, in Oil & Gas Docket No. 04-0219222 is hereby superceded only insofar as it required that the B. P. Gonzales Unit “A” Lease, Well No. 3 (RRC No. 060501), South Kelsey (6080) Field, the B. P. Gonzales Unit “A” Lease, Well No. 6 (RRC No. 061298), South Kelsey (5350) Field, and the B. P. Gonzales Unit “A” Lease, Well No. 7 (RRC No. 043267), South Kelsey (Clark Up.) Field, Starr County, Texas, be plugged. All other provisions of the Final Order in Oil & Gas Docket No. 04-0219222 remain in full force and effect.

It is further **ORDERED** that the Forms P-4 (Certificate of Compliance and Transportation Authority) filed with the Commission on September 6, 2006, by Double Play Oil & Gas, Inc., requesting a change of operator of the B. P. Gonzales Unit "A" Lease, Well No. 3 (RRC No. 060501), South Kelsey (6080) Field, the B. P. Gonzales Unit "A" Lease, Well No. 6 (RRC No. 061298), South Kelsey (5350) Field, and the B. P. Gonzales Unit "A" Lease, Well No. 7 (RRC No. 043267), South Kelsey (Clark Up.) Field, Starr County, Texas, from Score Energy Company to Double Play Oil & Gas, Inc., are hereby **APPROVED**.

It is further **ORDERED** that this Final Order shall be effective on January 23, 2006, 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 23rd day of January 2007, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
January 23, 2007)**