



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET No. 01-0299222

IN RE: COMMISSION CALLED HEARING TO PROVIDE GALLERY PETROLEUM LLC (OPERATOR NO. 293172) AN OPPORTUNITY TO DEMONSTRATE THAT IT HAS A GOOD FAITH CLAIM TO OPERATE THE STATON, C. D. (09408) LEASE, WELL NOS. 1, 2, 3, 4, 6, 7, 8, 9, 10, AND 15, TENNEY CREEK FIELD, CALDWELL COUNTY, TEXAS, AND TO SHOW CAUSE WHY THE WELLS SHOULD NOT BE ORDERED PLUGGED

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the prior operator of the captioned lease did not respond and the docket proceeded as a default. 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 Facts and Conclusions of Law.

FINDINGS OF FACTS

1. Gallery Petroleum LLC (Gallery) holds Operator No. 293172.
2. Gallery is the P-4 Record Operator of the Staton, C. D. (09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, located in Caldwell County, Texas.
3. On December 9, 2015, Complainant Jesse Staton submitted to the Commission a letter of complaint alleging that Gallery lacks authority to operate the Staton, C. D. (09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas.
 - a. The Staton, C. D. (09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15 (Wells) are physically located in the southwest quarter of the J. J. Bowman Survey, Abstract No. 35, Caldwell County, Texas (Land).
 - b. By Affidavit of Non-Production subscribed and sworn to on November 18, 2015, Affiant Jesse Staton stated that he is familiar with the subject Land, which he owns, or, which he claims to own, and, further, that he "personally . . . observed the described property from June 2015 to present date, and . . . found no evidence of oil producing activity . . ."

- c. On November 24, 2015, Jesse Staton submitted to the Commission a letter stating that “our last funds received from the [Wells] were November 2014 and would appreciate your records to reflect the non-production and showing Jesse Staton will now have ownership with no lease as of date.” [sic]
4. On December 9, 2015, Complainant Jesse Staton submitted to the Commission an oil, gas and mineral lease dated November 18, 2007, recorded in Volume 514, Page 330, Official Public Records, Caldwell County, Texas, purporting to cover the subject Land.
 - a. The oil, gas and mineral lease provided for a one year primary term.
 - b. Evidence of lease perpetuation was not submitted to the Commission.
5. At least ten days notice was given to Gallery, Respondent, and Jesse Staton, Complainant. By letter dated December 18, 2015, Gallery was afforded the opportunity to submit evidence of a continuing right to operate the subject lease and well or request a hearing on the matter. Gallery did neither.
6. By failing to respond to notice and opportunity for hearing, Gallery chose to rely on informal disposition of the Docket pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e).
7. Gallery has a current, active Form P-5 with financial assurance in the form of a Letter of Credit for \$50,000.00 which expires on April 30, 2016. Gallery is the operator of 49 wells, of which 17 are in Statewide Rule 14(b)(2) [16 TEX. ADMIN. CODE § 3.14(b)(2)] inactive status.
8. Gallery became the operator of the Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Caldwell County, Texas, by Form P-4 transfer with an effective date of May 1, 2011, and an approved date of July 26, 2011.
9. The Staton, C. D. (ID No. 09408) Lease had zero (0) reported production from September 2015 through November 2015. The last reported production from the lease was November 2015.
10. A “good faith claim” is defined in Commission Statewide Rule 15(a)(5) as “a factually supported claim based on a recognized legal theory to a continuing possessory right in the mineral estate, such as evidence of a currently valid oil and gas lease or a recorded deed conveying a fee interest in the mineral estate.” [16 TEX. ADMIN. CODE § 3.15(a)(5)].
11. Gallery did not present a “good faith claim” to operate the captioned lease and did not respond to a December 18, 2015, Commission letter requesting that it either provide a “good faith claim” to operate the subject lease or request a hearing.

12. Absent a “good faith claim” to operate, the subject well is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
13. Absent eligibility for an extension to the plugging requirements of Statewide Rule 15(e)(3), the plugging extension of the subject well should be cancelled pursuant to Statewide Rule 15(h).
14. The current plugging extension status of the Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas, are “Approved”, per online Commission records.
15. The plugging extensions for the Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas, should be cancelled pursuant to Statewide Rule 15(h) and the wells plugged.

CONCLUSIONS OF LAW

1. Proper notice of an opportunity for a hearing was timely issued to appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Gallery does not have a “good faith claim” to operate the Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas.
4. The Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas are not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
5. The plugging extensions for Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

IT IS THEREFORE ORDERED that the plugging extensions for the Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas, are **CANCELLED**. Gallery Petroleum LLC is hereby **ORDERED** to plug the Staton, C. D. (ID No. 09408) Lease, Well Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, and 15, Tenney Creek Field, Caldwell County, Texas, pursuant to the requirements of Statewide Rule 14(b)(2).

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the Commission’s order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov’t Code §2001.142, by agreement under Tex. Gov’t Code §2001.147, or by written Commission Order issued pursuant to Tex. Gov’t Code §2001.146(e). If a timely motion for rehearing of an application is filed by any party at interest, this order shall not become final and effective until such motion

is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to Tex. Gov't Code §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law is hereby extended until 90 days from the date Commission Order is signed.

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

Done this 23rd day of February, 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by Hearings Division Unprotested Master
Order dated February 23, 2016)**