



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7C-0297178

IN RE: COMMISSION CALLED HEARING TO PROVIDE J2 PETROLEUM LLC (OPERATOR NO. 427976) AN OPPORTUNITY TO DEMONSTRATE THAT IT HAS A GOOD FAITH CLAIM TO OPERATE THE TYREE (15125) LEASE, WELL NO. 1, ELKSON (CROSS CUT SAND) FIELD, RUNNELS COUNTY, TEXAS, AND TO SHOW CAUSE WHY THE WELL 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. J2 Petroleum LLC (J2) holds Operator No. 427976.
2. J2 is the P-4 Record Operator of the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, located in Runnels County, Texas.
3. On June 22, 2015, Complainants Freddy R. Tyree and Brenda J. Tyree (Complainants) submitted to the Commission a letter of complaint alleging that J2 lacks authority to operate the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, located in Runnels County, Texas.
 - a. By letter dated June 17, 2015, Complainants stated that "the lease agreements . . . expired October 1, 2014" and, further, that "there has been no activity on the sites for at least fifteen (15) months."
4. On June 22, 2015, Complainants submitted to the Commission a saltwater disposal and equipment lease dated October 1, 2013, recorded in Volume 384, Page 150, Official Public Records, Runnels County, Texas, purporting to cover the subject Land.
 - a. The saltwater disposal and equipment lease provided for a one (1) year primary term.

- b. Evidence of lease perpetuation was not submitted to the Commission.
5. At least ten days notice was given to J2, Respondent, and Freddy R. Tyree and Brenda J. Tyree, Complainants. By letter dated February 3, 2016, J2 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. J2 did neither.
 6. By failing to respond to notice and opportunity for hearing, J2 chose to rely on informal disposition of the Docket pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e).
 7. J2 has an active Form P-5 with financial assurance in the form of a cash deposit for \$50,000.00 which expires on September 30, 2016. J2 is the operator of 26 wells, of which 5 are in Statewide Rule 14(b)(2) [16 TEX. ADMIN. CODE § 3.14(b)(2)] inactive status.
 8. J2 became the operator of the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, located in Runnels County, Texas, by Form P-4 transfer with an effective date of October 17, 2013, and an approved date of December 19, 2014.
 9. The Tyree (15125) Lease has had zero (0) reported production from January 2010 through February 2016.
 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. J2 did not present a "good faith claim" to operate the captioned lease and did not respond to a February 3, 2016, 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 Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, Runnels County, Texas, is "Approved", per online Commission records.

15. The plugging extension for the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, Runnels County, Texas, should be cancelled pursuant to Statewide Rule 15(h) and the well 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. J2 does not have a “good faith claim” to operate the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, Runnels County, Texas.
4. The Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, Runnels County, Texas, is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
5. The plugging extension for the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, Runnels County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

IT IS THEREFORE ORDERED that the plugging extension for the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, Runnels County, Texas, is **CANCELLED**. J2 Petroleum LLC is hereby **ORDERED** to plug the Tyree (15125) Lease, Well No. 1, Elkson (Cross Cut Sand) Field, Runnels 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 29th day of March, 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed
by Hearings Division Unprotested Master
Order dated April 12, 2016)