

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 6E-0296800

COMMISSION CALLED HEARING ON THE PROPOSED FORM P-4 TRANSFER OF ALL WELLS ON THE BRIGHTWELL, R.N. (06803) LEASE, EAST TEXAS FIELD, RUSK COUNTY, TEXAS FROM EXZENA OIL CORP. (OPERATOR NO. 257063) TO MIKEN OIL, INC. (OPERATOR NO. 566783).

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the prior operator of the captioned lease did not request a hearing and the docket proceeded by informal disposition. 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 ten days notice was given to Exzena Oil Corp. (Operator No. 257063) and Miken Oil, Inc. (Operator No. 566783) By letter dated May 27, 2015, Exzena Oil Corp. ("Exzena") was afforded the opportunity to submit evidence of a continuing right to operate the subject lease and wells or request a hearing on the matter. Exzena chose to submit written evidence and argument.
2. By Form P-4 dated March 30, 2015, Miken Oil, Inc. ("Miken") requested transfer of the Certificate of Compliance and Transportation Authority for the Brightwell, R.N. (06803) Lease from Exzena to Miken.
3. By choosing to submit written evidence and written argument, Exzena chose to rely on informal disposition of the docket pursuant to Tex. Gov't Code §§2001.056 and 2001.062(e).
4. Exzena has a delinquent Form P-5 and last tendered a Fdorm P-5 to the Commission on December 2, 2011. Exzena has no financial assurance on file with the Commission and currently remains the operator responsible for 40 wells, all of which are subject to Statewide Rule 14(b)(2).
5. Miken has a current, active Form P-5 with sufficient financial assurance to acquire the lease and wells in dispute. Miken has filed a \$50,000 Bond that expires December 31, 2016 with the Commission.

6. 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.”
7. The subject Commission-recognized lease, the Brightwell, R.N. (06803) Lease, last reported production for December, 2012 and has not reported production since.
 - a. The subject lease is currently severed.
 - b. Two wells, Well Nos. 2 and 10, remain on the proration schedule for the Brightwell, R.N. (06803) Lease. Well Nos. 1, 3, 4, 5, 6, 7, 8 and 9 are not on schedule.
8. By letter dated June 17, 2015, Exzena stated that it has a good faith claim “...to continue operating the properties since it has new leases on the property that one of its associate companies owns and elects Exzena to continue to operate.”
 - a. PDC Geological, Inc. has taken a lease on the Brightwell, R.N. Lease that is dated March 19, 2015 and granted by Lessor Gene Honzell of Overton, Texas. It is recorded in the Deed Records of Rusk County in Volume 3362, Page 156. This lease is a top lease.
 - b. PDC Geological, Inc. is not a Commission-recognized P-5 operator.
 - c. The owner of PDC Geological, Inc., Patrick D. Coplan, is not an officer in any P-5 entity recognized by the Commission.
 - d. Exzena last filed a Form P-5 with the Commission on December 2, 2011, and is currently delinquent. Exzena cannot operate any wells or engage in the production of oil and gas in Texas.
9. Miken presented two leases on the subject lease and wells. The first lease is from Gene Honzell of Overton, Texas, signed February 3, 2015, with a primary term of two (2) years, and recorded in the Deed Records of Rusk County in Volume 3351, Page 400. This lease precedes the Gene Honzell lease granted to PDC Geological, Inc. on March 19, 2015, making the PDC Geological lease a top lease. Miken’s second lease is from Horace Lee Honzell of Manteca, California, signed February 12, 2015, with a primary term of two (2) years.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.

3. Exzena Oil Corp. does not have a “Good Faith Claim” to operate the subject lease and wells.
4. Miken Oil, Inc. has a “Good Faith Claim” to operate the subject lease and wells.

IT IS THEREFORE ORDERED that the application of Miken Oil, Inc. (Operator No. 566783) for transfer of the Form P-4 “Certificate of Compliance and Transportation Authority” for the Brightwell, R.N. (06803) Lease, East Texas Field, Rusk County, Texas, from Exzena Oil Corp. to Miken Oil, Inc. is hereby **APPROVED**.

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 the Commission Order is signed.

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

Done this 12th day of April, 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
HD Unprotested Master Order dated
April 12, 2016)**