

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 05-0299806

SINGLE SIGNATURE P-4 FILING OF FAIRWAY OPERATING, INC. (OP. 259791) FOR THE DUNN LEASE (04108), WELL NO. 2, ALABAMA FERRY (GLENROSE D, WEST) FIELD, LEON COUNTY, TEXAS, TO TRANSFER OPERATOR OF RECORD FROM GRAYSTONE ENERGY CORPORATION (OP. 328347) TO FAIRWAY OPERATING, INC.

FINAL ORDER

The Commission finds that after statutory notice of the captioned proceeding, Graystone Energy Corporation did not respond and this docket proceeded as a default. The proceeding having been duly submitted to the Railroad Commission of Texas (“RRC” or “Commission”) 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 Graystone Energy Corporation, RRC Operator No. 328347, (“Graystone”) and Fairway Operating, Inc., RRC Operator No. 259791 (“Fairway”).
2. Graystone is the operator of record for the Dunn Lease (RRC Lease No. 04108) Well No. 2 (“Well 2”).
3. On February 2, 2016, the RRC received an application by Fairway for a change in operator status for Well 2 from Graystone to Fairway.
4. On or about March 7, 2016, the Administrative Law Judge (“ALJ”) requested in writing that Graystone either: (1) provide evidence that it holds a good faith claim to a continuing right to operate the referenced property; or (2) request a hearing on this matter on or before April 8, 2016. This writing expressly notified the operator that failure to timely request a hearing would constitute waiver of the opportunity to request a hearing on this matter.
5. Graystone failed to provide evidence that it holds a good faith claim to a continuing right to operate the referenced property, failed to respond to the ALJ’s March 7, 2016 letter, and failed to request a hearing.
6. Graystone became the RRC operator of record for Well 2 in December 2014. There has been no reported production for Well 2 since at least February 2013.

7. Fairway has a current annual Commission Organization Report (Form P-5) with sufficient financial assurance to acquire Well 2.
8. 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).
9. Fairway presented the following to demonstrate its “good faith claim”:
 - a. An August 28, 2015 notarized Sheriff’s Deed selling lease and ownership interests in Well 2 to EMH Resources Lease Co., LP (“EMH”);
 - b. A September 25, 2015 Participation Agreement between EMH and Arcadia – Dunn LLC, notarized in Tarrant County, Texas and Northampton County, Pennsylvania directing the appointment of EMH as the operator of Well 2;
 - c. A Second Amendment to Operating Agreement between EMH and Fairway, signed by the parties on September 25, 2015, designating Fairway as operator of Well 2 and directing Fairway to submit an RRC Form P-4 to the Commission; and
 - d. Plats, production and completion information for Well 2.
10. Graystone failed to provide evidence that it holds a good faith claim to a continuing right to operate Well 2 and also failed to timely request a hearing.
11. Graystone does not hold a good faith claim to operate Well 2.
12. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), Graystone has waived the opportunity to request a hearing on the matter.
13. Fairway has demonstrated a good faith claim to a continuing right to operate Well 2.
14. Well 2 should be transferred to Fairway, as operator of record.

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. Resolution of this docket is a matter committed to the jurisdiction of the Commission. TEX. NAT. RES. CODE § 81.051.

4. Graystone does not have a “good faith claim” to continue operating Well 2.
5. Fairway does have a “good faith claim” to operate Well 2.

IT IS THEREFORE ORDERED that the application of Fairway to change the RRC operator of record for Well 2 is **APPROVED** and Fairway’s submitted Form P-4 “Certificate of Compliance and Transportation Authority” reflecting itself as the current operator for Well 2 is hereby **APPROVED** subject to the provisions of TEX. NAT. RES. CODE §§ 91.107, 91.114 and 91.142, and 16 TEX. ADMIN. CODE § 3.15.

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) and 16 TEX. ADMIN. CODE § 1.149(c), 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 3rd day of May 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

JNC / rnf

(Order approved and signatures affixed by HD
Unprotested Master Order date May 3, 2016)