

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 7B-0299376

COMPLAINT OF GLENNA WRIGHT THAT MERIT ENERGY COMPANY DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE WRIGHT (30128) LEASE, WELL NO. 1, LARGENT, W. (STRAWN SAND) FIELD, JONES COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Merit Energy Company did not request a hearing. This proceeding having been duly submitted to the Railroad Commission of Texas ("Commission" or "RRC") 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 Merit Energy Company, RRC Operator No. 561136 ("Merit").
2. Merit is the RRC operator of record for the Wright Lease (RRC Lease No. 30128), Well No. 1 ("Well 1").
3. On or about January 13, 2016, the Commission received a complaint from Glenna Wright (the "Complainant") alleging Merit does not have a "good faith claim" to operate Well 1 and Well 1 should be plugged. The Complainant provided an Oil, Gas and Mineral Lease ("Lease") dated February 22, 2005 with the Complainant as Lessor. The Lease contains a lease term of three years and the real property covered by the Lease includes the location of Well 1. The Complainant provided an Extension of Oil and Gas Lease extending the Lease an additional two months. The Complainant asserts that the Lease has expired and was never extended further.
4. In a letter dated April 8, 2016, a Commission Administrative Law Judge ("ALJ") requested in writing that Merit either (1) provide evidence that it holds a "good faith claim" to a continuing right to operate the referenced well or (2) request a hearing on the matter on or before May 13, 2016. This writing expressly notified Merit that failure to timely request a hearing would constitute waiver of the opportunity to request a hearing on the matter.
5. 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).

6. Merit is current in filing the annual Commission Organization Report (Form P-5).
7. Merit became the RRC operator of record for Well 1 in December 2011. There has been no reported production for Well 1 since at least April 2011.
8. Merit failed to provide evidence that it holds a “good faith claim” to a continuing right to operate Well 1 and also failed to request a hearing. In a letter to the ALJ dated April 27, 2016, Ms. Kathryn Lyles, Corporate Counsel for Merit, states that Merit does not want a hearing and agrees to plug Well 1.
9. Merit does not hold a “good faith claim” to operate Well 1.
10. Absent a "good faith claim" to operate, the subject well is not eligible for an extension to the plugging requirements in Statewide Rule 14 and 15 as provided for in Statewide Rule 15(e).
11. Well 1 should be plugged and any plugging extension relating to Well 1 should be revoked.
12. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), Merit has waived the opportunity to request a hearing on the matter.

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. Merit does not have a “good faith claim” to continue operating Well 1.
5. Well 1 is not eligible for a plugging extension and Well 1 should be plugged.

IT IS THEREFORE ORDERED that the Merit is not eligible for plugging extensions for Well 1. Merit is hereby **ORDERED** to plug or otherwise place Well 1 in compliance with Statewide Rules 14 and 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 7th day of June, 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotested Master Order date June 7, 2016)

JNC/rmf