

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 01-0300960

IN RE: SINGLE SIGNATURE P-4 TRANSFER OF RECORD OPERATOR FOR THE LEHMAN-STRAKE UNIT (LEASE NO. 07564), WELL NO. 4, CARRIZO S. (OLMOS 2680) FIELD, DIMMIT COUNTY, TEXAS, FROM COX & COX PRODUCTION CO. (OPERATOR NO. 183232) TO EL TORO RESOURCES LLC (OPERATOR NO. 250718)

FINAL ORDER

The Railroad Commission of Texas (“Commission” or “RRC”) finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Cox & Cox Production Co. failed to request a hearing and did not otherwise respond such that this docket can proceed as a default. This proceeding having been submitted to the Commission at a 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 Cox & Cox Production Co. (“Cox”), RRC Operator No. 183232, and El Toro Resources LLC (“El Toro”), RRC Operator No. 250718.
2. Cox is the operator of record for the Lehman-Strake Unit, RRC Lease No. 07564, Well No. 4 (“Well 4”).
3. On July 11, 2016, the Commission received a completed application by El Toro to change the RRC record operator of Well 4 from Cox to El Toro.
4. In a letter dated July 12, 2016, a Commission Administrative Law Judge (“ALJ”) requested in writing that Cox 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 the matter on or before August 12, 2016. This writing expressly notified Cox that failure to timely request a hearing would constitute waiver of the provided opportunity to request a hearing for this proceeding.
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. Cox failed to provide evidence that it holds a good faith claim to a continuing right to operate Well 4, failed to respond to the ALJ's July 12, 2016 letter, and failed to request a hearing.
7. Cox is delinquent in filing the annual Commission Organization Report (Form P-5). Its last Form P-5 filing was July 7, 1998. Cox has no financial assurance on file with the Commission.
8. Cox became the RRC operator of record for Well 4 on March 1, 1999. There has been no reported production for Well 4 since at least March 1999.
9. To demonstrate its "good faith claim" to operate Well 4, El Toro presented a notarized Memorandum of Oil and Gas Lease in which the Duncan Family Trust, as lessor, grants El Toro, as lessee, the right to operate the real-property where Well 4 is located. The Memorandum of Oil and Gas Lease is dated April 1, 2016 and was filed in Dimmit County, Texas on April 27, 2016.
10. El Toro has a current annual Commission Organization Report (Form P-5) with a \$250,000 bond as its financial assurance on file with the Commission. El Toro's status at the Commission is active.
11. Cox does not hold a "good faith claim" to operate Well 4.
12. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), Cox was provided an opportunity to request a hearing and failed to do so.
13. El Toro has demonstrated a "good faith claim" to a continuing right to operate Well 4.
14. Well 4 should be transferred to El Toro as RRC operator of record.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice. *See, e.g.,* TEX. GOV'T CODE § 2001.051; 16 TEX. ADMIN. CODE § 1.45(a).
2. The Commission has jurisdiction in this case. *See, e.g.,* TEX. NAT. RES. CODE § 81.051.
3. Cox does not have a "good faith claim," as that term is defined in Statewide Rule 15(a)(5), to continue operating Well 4. 16 TEX. ADMIN. CODE § 3.15(a)(5).
4. El Toro does have a "good faith claim" to operate Well 4.

IT IS THEREFORE ORDERED that the application of El Toro to change the RRC operator of record for Well 4 is **APPROVED** and El Toro's submitted Form P-4 "Certificate of Compliance and Transportation Authority" reflecting itself as the current operator for Well 4 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 27th day of September 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotested Master Order date September 27,
2016)

JNC/rnf