

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 7B-0300090

COMPLAINT OF CRAIG WRIGHT THAT CEDAR RIDGE ENERGY, INC. (OPERATOR NO. 140622) DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE WRIGHT, CRAIG ET AL LEASE (LEASE NO. 29504), WELL NOS. 1 AND 2, ANSON, N. (KING) FIELD, JONES COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Cedar Ridge Energy, Inc. failed to appear at hearing. This proceeding having been duly submitted to the Railroad Commission of Texas ("Commission" or "RRC") 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 Cedar Ridge Energy, Inc. ("Cedar Ridge"), RRC Operator No. 140622.
2. Cedar Ridge is the RRC operator of record for the Wright, Craig Et Al Lease (RRC Lease No. 29504) (the "Lease"), Well Nos. 1 and 2 ("Wells 1 and 2").
3. On March 30, 2016, the Commission received a complaint from Craig Wright ("Complainant") alleging Cedar Ridge does not have a "good faith claim" to operate Wells 1 and 2, and the wells should be plugged. The Complainant is the surface owner of the real property where the wells are located. To support his claim, the Complainant provided:
 - a. An Oil and Gas Lease dated April 28, 2007 in which Complainant is a lessor and Wells 1 and 2 are located on the the real property identified in the Lease. The Lease was filed and recorded in Jones County and provides a primary term of one year and continuing thereafter as long as there is hydrocarbon production; and
 - b. A Commission investigation report documenting violations, including pollution violations, and documenting that Well 1 is shut in.

The Complainant claims that Cedar Ridge was reporting minimal production for Well 2 when no production was actually occurring. The Complainant also asserts that the Oil and Gas Lease has terminated for lack of production.

4. 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).
5. In a letter dated April 8, 2016, a Commission Administrative Law Judge (“ALJ”) requested in writing that Cedar Ridge either provide evidence that it holds a “good faith claim” to a continuing right to operate Wells 1 and 2 or request a hearing on the matter on or before May 13, 2016. This writing expressly notified Cedar Ridge that failure to timely request a hearing would constitute waiver of the opportunity given to request a hearing.
6. On May 12, 2016, Cedar Ridge submitted a letter to the ALJ expressing an interest in continuing to produce Wells 1 and 2. Since the letter was not accompanied with any evidence of a “good faith claim” and did not expressly request a hearing, on May 13, 2016, the ALJ issued a second letter giving Cedar Ridge until May 27, 2016 to request a hearing and set a hearing date.
7. On May 27, 2016, Cedar Ridge submitted a letter requesting a hearing.
8. On June 23, 2016, a Notice of Hearing setting the hearing for July 26, 2016 was sent by first class mail to the Complainant and to Cedar Ridge’s most recent Commission Form P-5 (Organization Report) (“Form P-5”) address.
9. At the hearing July 26, 2016, the Complainant appeared. Cedar Ridge failed to appear despite having requested the hearing. The Complainant indicated that he had spoken to Cedar Ridge representatives before the hearing and they stated that Cedar Ridge did not intend to appear.
10. Cedar Ridge became the RRC operator of record for the Lease April 10, 2013.
11. At the hearing, the Complainant testified that after the initial Oil and Gas Lease was entered into in 2007, the Lease produced for a few years at very low volumes. In mid-July 2013, the Complainant contacted representatives of Cedar Ridge who indicated an interest in restoring the Lease back to production. Some efforts were made, but by mid-2015 no one was visiting or operating the Lease, weeds were growing around all the facilities, and there were open pits containing oil and saltwater on the ground.
12. Consistent with the Complainant’s testimony, Commission records reflect that 1 barrel of oil was reported produced approximately every other month, with no reports of production filed since December 2015.
13. Cedar Ridge does not hold a “good faith claim” to operate Wells 1 and 2.

14. Absent a "good faith claim" to operate, Wells 1 and 2 are not eligible for extensions to the plugging requirements in Statewide Rule 14 and 15 as provided for in Statewide Rule 15(e).
15. Wells 1 and 2 should be plugged and any plugging extensions relating to the subject wells should be revoked.
16. Pursuant to TEX. GOV'T CODE §§ 2001.056(1) and 2001.062(e), Cedar Ridge was provided notice and an opportunity for hearing and failed to appear at the hearing.

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. Cedar Ridge does not have a "good faith claim" to continue operating Wells 1 and 2 pursuant to 16 TEX. ADMIN. CODE § 3.15(a)(5).
4. Wells 1 and 2 are not eligible for a plugging extension and the wells should be plugged.

IT IS THEREFORE ORDERED that Cedar Ridge is not eligible for plugging extensions for Wells 1 and 2. Cedar Ridge is hereby **ORDERED** to plug Wells 1 and 2 and place the Lease in compliance with Statewide Rules 8, 14, 15 and all other Commission rules; such actions shall include but not be limited to (1) the removal and remediation of all pollution and (2) bringing all pits into compliance with Commission rules.

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