

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0301271

In Re: Transfer of Record Operator for the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas, from Enhanced RS, Inc. to Red Shell Inc.

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the prior operator of the captioned lease did not respond and the docket proceeded as a default. 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 Facts and Conclusions of Law.

FINDINGS OF FACT

1. At least ten days notice was given to Enhanced RS, Inc. (Operator No. 252715) and Red Shell Inc. (Operator No. 696756).
2. Enhanced RS, Inc. is the operator of record for the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, located in Caldwell County, Texas.
3. On or about July 28, 2016, Red Shell, Inc. submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas, from Enhanced RS, Inc. to Red Shell Inc., as operator of record.
4. On or about August 8, 2016, the Administrative Law Judge requested in writing that Enhanced RS, Inc. 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 September 7, 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 the matter.
5. Enhanced RS, Inc. has an active Form P-5, and has sufficient financial assurance for its wells.

6. Red Shell Inc. has an active Form P-5, and has sufficient financial assurance to acquire the lease and wells in dispute.
7. 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.”
8. Red Shell Inc. presented a General Warranty Deed dated effective May 8, 2015, recorded as Instrument No. 2015-003781, Official Public Records, Caldwell County, Texas, from Cynthia Williams Price and Judy Kay Rouse, as Grantors, to Zhixiong Iv and Joe Zhou, as Grantees, conveying 65.502 acres, more or less, being the subject property.
9. Joe Zhou is listed as “President” in Red Shell Inc.’s most recent Form P-5 *Organization Report*.
10. The subject Commission-recognized lease, the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas, has reported zero (0) production since April 2013.
11. Enhanced RS, Inc. failed to reply to the Administrative Law Judge’s letter dated August 8, 2016, with any documents that it holds a “good faith claim” to a continuing right to operate the referenced property, and also failed to timely request a hearing.
12. Enhanced RS, Inc. does not have a “good faith claim” to operate the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas.
13. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), Enhanced RS, Inc. and Red Shell Inc. have waived the opportunity to request a hearing on the matter.
14. Red Shell Inc. has demonstrated a “good faith claim” to a continuous right to operate the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas.

15. The Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas, should be transferred to Red Shell Inc., 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. GOV'T CODE §§ 81.051.
4. Enhanced RS, Inc. does not have a "good faith claim" to continue to operate the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas.
5. Red Shell Inc. has a "good faith claim" to operate the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas.

IT IS THEREFORE ORDERED that Red Shell Inc.'s Form P-4 *Certificate of Compliance and Transportation Authority* application for transfer of the Williams, J. T. (07991) Lease, Well Nos. 4, 7, 14, 15, 16, 17, 18, 19, 20, and 21, Tenney Creek Field, Caldwell County, Texas, is hereby **APPROVED**, subject to the provisions of TEX. NAT. RES. CODE §§ 91.107, 91.114, 91.142 and 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), 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 Commission Order is signed.

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

Done this September 27, 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(ORDER APPROVED AND SIGNATURES AFFIXED
BY HEARINGS DIVISION UNPROTESTED MASTER ORDER
DATED SEPTEMBER 27, 2016)**