

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 03-0300685

IN RE: SINGLE SIGNATURE P-4 TRANSFER OF RECORD OPERATOR FOR THE BAKER, CARRIE LEASE (LEASE ID NO. 02793), LOCHRIDGE FIELD, BRAZORIA COUNTY, TEXAS, FROM TEXAS STANDARD OIL OPERATING CO. (OPERATOR NO. 848271) TO KIRBY PARTNERS, LLC (OPERATOR NO. 468130)

FINAL ORDER

The Railroad Commission of Texas (“Commission” or “RRC”) finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Texas Standard Oil Operating Co. failed to appear at the hearing such that this docket can proceed as a default. This proceeding having been duly 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. Kirby Partners, LLC (“Kirby”), RRC Operator No. 468130, filed a single-signature Form P-4 “Certificate of Compliance and Transportation Authority” (“Form P-4”) requesting that it be designated the Commission operator of record for the Baker, Carrie Lease (Lease No. 02793) (“the Lease”). The Form P-4 did not contain the signature of the current operator of record for the Lease.
2. Texas Standard Oil Operating Co. (“Texas Standard”), RRC Operator No. 848271, is the current Commission operator of record for the Lease.
3. In a letter dated June 2, 2016, a Commission Administrative Law Judge (“ALJ”) requested in writing that Texas Standard 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 July 5, 2016. This writing expressly notified Texas Standard that failure to timely request a hearing would constitute waiver of the provided opportunity to request a hearing for this proceeding.
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. On June 30, 2016, Texas Standard requested a hearing in this matter.

6. On October 21, 2016, Commission staff sent a Notice of Hearing via first class mail to both Kirby and Texas Standard setting a hearing date of December 14, 2016. Consequently, both parties received more than 10 days' notice. The Notice of Hearing contained (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted.
7. On December 8, 2016, Texas Standard filed a letter withdrawing its request for hearing and stating that it was not going to proceed with the hearing process.
8. At the hearing December 14, 2016, Kirby appeared, and Texas Standard did not appear.
9. Texas Standard became the RRC operator of record for the Lease in July 2014. There has been no reported production for the Lease since March 2016.
10. To demonstrate its "good faith claim" to operate the Lease, Kirby presented a notarized Oil, Gas and Mineral Lease in which Kirby has the right to operate on the real property where the Lease is located. The Oil, Gas and Mineral Lease is dated August 12, 2014. According to Kirby, Kirby has leased 75% of the mineral estate of the Lease while Texas Standard had leased 25% but has lost its allowable under its written lease and is no longer operating the Lease.
11. Kirby has a current annual Commission Organization Report (Form P-5) with a \$25,000 letter of credit as its financial assurance on file with the Commission. Kirby currently operates zero wells. Kirby has sufficient financial assurance to operate the Lease. Kirby's status at the Commission is active. *See* 16 TEX. ADMIN. CODE 3.78(d) and (g).
12. Texas Standard does not hold a good faith claim to operate the Lease.
13. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), Texas Standard was provided notice of hearing and failed to appear at the hearing.
14. Texas Standard has demonstrated a good faith claim to a continuing right to operate the Lease.
15. The Lease should be transferred to Kirby as operator of record.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to the persons entitled to notice. *See, e.g.*, TEX. GOV'T CODE §§ 2001.051 and 052; 16 TEX. ADMIN. CODE §§ 1.45 and 1.48.
2. The Commission has jurisdiction in this case. *See, e.g.*, TEX. NAT. RES. CODE § 81.051.

3. Texas Standard does not have a good faith claim to continue operating the Lease. Kirby does have a good faith claim to operate the Lease. 16 TEX. ADMIN. CODE 3.15(a)(5).
4. The RRC record operator of the Lease should be transferred from Texas Standard to Kirby. *See* 16 TEX. ADMIN. CODE 3.58(a)(4).

IT IS THEREFORE ORDERED that the application of Kirby to change the RRC operator of record for the Lease is **APPROVED** and Kirby's submitted Form P-4 "Certificate of Compliance and Transportation Authority" reflecting itself as the current operator for the Lease 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 24th day of January, 2017, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotested Master Order dated January 24, 2017)

JNC/rmf