

OIL AND GAS DOCKET No. 7B-0302413

IN RE: COMMISSION CALLED HEARING TO PROVIDE PM OIL & GAS, INC. (OPERATOR NO. 631365) AN OPPORTUNITY TO DEMONSTRATE THAT IT HAS A GOOD FAITH CLAIM TO OPERATE THE PARK, J. F., ET AL (11809) LEASE, ALL WELLS, CALLAHAN COUNTY REGULAR FIELD, CALLAHAN COUNTY, TEXAS

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 FACTS

1. PM Oil & Gas, Inc. ("PM") holds Operator No. 631365.
2. PM is the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas.
3. On or about November 2, 2016, Complainant Coy L. Smith ("Complainant") submitted to the Commission a complaint letter alleging that PM lacks authority to operate the Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas.
4. On or about November 4, 2016, the Administrative Law Judge requested in writing that PM 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 December 5, 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. PM did neither.
5. At least ten days' notice was given to PM and Complainant.
6. By failing to respond to notice and opportunity for hearing, PM chose to rely on informal disposition of this docket pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e).

7. PM has an active Form P-5 with financial assurance in the form of a \$21,386 bond, which expires on April 1, 2018. SMC is the operator of 24 wells, of which 0 are in Statewide Rule 14(b)(2) [16 TEX. ADMIN. CODE § 3.14(b)(2)] inactive status.
8. PM became the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, by filing a Form P-4 dated effective March 14, 2008.
9. The Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, has had no reported production since September 2016.
10. The Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, had zero (0) reported production from June 2016 through September 2016.
11. 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)].
12. PM did not present a “good faith claim” to operate the captioned leases and did not respond to a November 2, 2016, Commission letter requesting that it either provide a “good faith claim” to operate the subject lease, or request a hearing on the merits.
13. Absent a “good faith claim” to operate, the subject wells are not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
14. Absent eligibility for extensions to the plugging requirements of Statewide Rule 15(e)(3), the plugging extensions for the subject wells should be cancelled pursuant to Statewide Rule 15(h).
15. The Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, should be ordered plugged.

CONCLUSIONS OF LAW

1. Proper notice of an opportunity for a hearing was timely issued to appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.

3. PM does not have a “good faith claim” to operate the Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas.
4. The Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, are not eligible for extensions to the plugging requirements of Statewide Rule 15(e)(3).
5. The Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, should be cancelled pursuant to Statewide Rule 15(h).
6. The Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, should be ordered plugged pursuant to the requirements of Statewide Rule 14(b)(2).

IT IS THEREFORE ORDERED that the plugging extensions for the Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, are hereby **CANCELLED**. PM Oil & Gas, Inc. is hereby **ORDERED** to plug within 30 days of the date this order becomes final, the Park, J. F., et al (11809) Lease, All Wells, Callahan County Regular Field, Callahan County, Texas, pursuant to the requirements of Statewide Rule 14(b)(2).

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 24th day of January, 2017, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed
by Hearings Division Unprotested Master
Order dated January 24, 2017)