

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0302576

IN RE: TRANSFER OF RECORD OPERATOR FOR THE HARMON, C.F. "A" (23211) LEASE, WELL NOS. 13 & 14, YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS, FROM RICO OIL COMPANY TO KARST INCORPORATED

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 Rico Oil Company (Operator No. 710655), ("Rico") and Karst Incorporated (Operator No. 451351), ("Karst").
2. Rico is the operator of record for the Harmon, C.F. "A" (23211) Lease, Well Nos. 13 & 14, Young County Regular Field, Young County, Texas.
3. On or about August 15, 2016, Karst submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the Harmon, C.F. "A" (23211) Lease, Well Nos. 13 & 14, Young County Regular Field, Young County, Texas, from Rico to Karst, as operator of record.
4. On or about November 18, 2016, the Administrative Law Judge requested in writing that Rico 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 19, 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. Rico has an inactive Form P-5 without financial assurance on file with the Commission.

6. Karst has an active Form P-5 with sufficient financial assurance in the form of a \$50,000 bond, which expires on May 31, 2018, 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. The Harmon, C.F. “A” (23211) Lease, Well Nos. 13 & 14, Young County Regular Field, Young County, Texas, has not reported production since January 1993.
9. Karst presented a Paid-Up Oil and Gas Lease as its “good faith claim” to operate the subject property. The Paid-Up Oil and Gas Lease purports to cover the subject property and was executed on March 21, 2011, for a three (3) year primary term. The Paid-Up Oil and Gas Lease is held by production from other wells producing from the subject property.
10. Rico failed to reply to the Administrative Law Judge’s letter dated November 18, 2016, with any documents that it holds a “good faith claim” to a continuing right to operate the referenced property and failed to timely request a hearing.
11. Rico does not have a “good faith claim” to operate the referenced property.
12. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), Rico and Karst have waived the opportunity to request a hearing on the matter.
13. Karst has demonstrated a “good faith claim” to a continuous right to operate the referenced property.
14. The Harmon, C.F. “A” (23211) Lease, Well Nos. 13 & 14, Young County Regular Field, Young County, Texas, should be transferred to Karst, 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. Rico does not have a "good faith claim" to continue to operate the subject lease and wells.
5. Karst has a "good faith claim" to operate the subject lease and wells.

IT IS THEREFORE ORDERED that the application of Karst Incorporated for transfer of the Form P-4 "Certificate of Compliance and Transportation Authority" for the Harmon, C.F. "A" (23211) Lease, Well Nos. 13 & 14, Young County Regular Field, Young 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 February 14, 2017, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(ORDER APPROVED AND SIGNATURES AFFIXED
BY HEARINGS DIVISION UNPROTESTED MASTER ORDER
DATED FEBRUARY 14, 2017)**