

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 09-0302993

IN RE: SINGLE SIGNATURE P-4 TRANSFER OF RECORD OPERATOR FOR THE SCHREIBER DEEP LEASE (LEASE NO. 32206), WELL NO. 1-C, STRAWN (MARBLE FALLS 3770) FIELD, ARCHER COUNTY, TEXAS, FROM NHRG INC. (OPERATOR NO. 598344) TO JDL OPERATING, LLC (OPERATOR NO. 430590)

FINAL ORDER

The Railroad Commission of Texas (“Commission” or “RRC”) finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, NHRG Inc. failed to request a hearing and did not otherwise respond such that this docketed case 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. On December 28, 2016, JDL Operating, LLC (“JDL”), RRC Operator No. 430590, 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 Schreiber Deep Lease, Lease No. 32206, Well No. 1-C. The Form P-4 did not contain the signature of the current Commission operator of record for the Well.
2. NHRG Inc. (“NHRG”), RRC Operator No. 598344, is the current Commission operator of record for the Well.
3. In a letter dated January 11, 2017, a Commission Administrative Law Judge (“ALJ”) requested in writing that NHRG 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 February 10, 2017. This writing expressly notified NHRG 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. NHRG failed to provide evidence that it holds a good faith claim to a continuing right to operate the Well, failed to respond to the ALJ's January 11, 2017 letter, and failed to request a hearing.
6. At least ten days' notice of an opportunity for hearing was given to JDL and NHRG.
7. NHRG became the RRC operator of record for the Well in October 2015. There has been no reported production for the Well since at least January 2012.
8. To demonstrate its good faith claim to operate the Well, JDL presented a notarized and filed written oil, gas and mineral lease granting JDL the right to operate on the acreage where the Well is located.
9. JDL is currently the record operator of 93 wells. JDL has sufficient financial assurance to operate the Well. JDL's status at the Commission is active.
10. NHRG does not have a good faith claim to operate the Well.
11. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), NHRG was provided an opportunity to request a hearing and failed to do so.
12. JDL has demonstrated a good faith claim to a continuing right to operate the Well.
13. The Well should be transferred to JDL as operator of record.

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. NHRG does not have a "good faith claim," as that term is defined in Statewide Rule 15(a)(5), to continue operating the Well. 16 TEX. ADMIN. CODE § 3.15(a)(5).
4. JDL does have a good faith claim to operate the Well.

IT IS THEREFORE ORDERED that the application of JDL to change the RRC operator of record for the Well is **APPROVED** and JDL's submitted Form P-4 "Certificate of Compliance and Transportation Authority" reflecting itself as the current operator for the Well 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 21st day of March, 2017, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotected Master Order date March 21,
2017)

JNC/rnf