

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 09-0304676

IN RE: GOOD FAITH CLAIM REVIEW AND P-4 TRANSFER OF RECORD OPERATOR FOR THE DAILY LEASE (LEASE NO. 07312), YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS FROM WB MULLING OPERATING LLC (OPERATOR NO. 902609) TO K R WELL TECHNOLOGY, LLC (OPERATOR NO. 449037)

FINAL ORDER

The Railroad Commission of Texas ("Commission" or "RRC") finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, WB Mulling Operating LLC did not request a hearing and this 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 or about March 10, 2017, K R Well Technology, LLC ("KR"), RRC Operator No. 449037, filed a Form P-4 *Certificate of Compliance and Transportation Authority* ("Form P-4") requesting that it be designated the Commission operator of record for the Daily Lease (the "Lease"), Lease No. 07312. The Form P-4 contains the signature of KR as well as the signature of the current Commission operator of record for the Lease.
2. WB Mulling Operating LLC ("WB"), RRC Operator No. 902609, is the current Commission operator of record for the Lease. The Lease currently contains seven active wells.
3. There is an RRC hold preventing a transfer of the Lease without a good faith claim review of the proposed operator.
4. In a letter dated May 16, 2017, a Commission Administrative Law Judge ("ALJ") requested in writing that WB 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 June 16, 2017. This writing expressly notified WB that failure to timely request a hearing would constitute waiver of the provided opportunity to request a hearing for this proceeding.

5. 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).
6. To demonstrate its good faith claim to operate the Lease, KR provided an assignment of a contractual oil and gas lease (“Contractual Lease”) covering the property where the Lease is located. The assignment is from WB to KR. KR also provided statements from mineral interest owners of the property where the Lease is located stating that the Contractual Lease is still in effect and approving of KR as operator of the Lease.
7. KR has a current annual Commission Organization Report (Form P-5) with a \$50,000 line of credit as its financial assurance. KR is currently the record operator of 56 wells, not counting the wells on the Lease. KR has sufficient financial assurance to operate the Well. KR’s status at the Commission is active. See 16 TEX. ADMIN. CODE § 3.78(d) and (g).
8. At least ten days’ notice of an opportunity for hearing was given to WB and KR.
9. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), WB was provided an opportunity to request a hearing and failed to do so.
10. KR has demonstrated a good faith claim to a continuing right to operate the Lease.
11. The Lease should be transferred to KR as operator of record.
12. KR and WB agreed in writing that the Final Order in this case is to be effective the date the Commission signs a final order regarding this case.

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. KR has a good faith claim to operate the Lease.
4. The good faith hold currently placed on the Lease should be removed.

5. Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code, and the agreement of WB and KR, the Final Order should be effective the date the Commission signs a final order regarding this case.

IT IS ORDERED that the application of KR to change the RRC operator of record for the Lease is **APPROVED** and KR's submitted Form P-4 *Certificate of Compliance and Transportation Authority* reflecting itself as the current operator of 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 **ORDERED** that the RRC transfer hold on the Lease is canceled to allow transfer of the Lease to KR.

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code, and the agreement of KR and WB, this Final Order is effective on the date the Commission signs a final order in this case.

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

Done this 1st day of August 2017, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotested Master Order dated August 1,
2017)

JNC/rmf