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RYAN SITTON, *COMMISSIONER*  
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RANDALL D. COLLINS, *DIRECTOR*

# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

### PROPOSAL FOR DECISION

OIL AND GAS DOCKET NO. 01-0303023

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SINGLE SIGNATURE P-4 FILING OF ADVANTAGEWON OIL, US, CORP (OP. NO. 888510) FOR THE MILLS, L.H. (00772) LEASE, WELL NOS 1 & 2, AND THE STATE OF TEXAS & MILLS, L.H. (02171) LEASE, WELL NO. 1, KAYE (NAVARRO) FIELD, WILSON COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM W.W. ENERGY (888510) TO ADVANTAGEWON OIL, US, CORP

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### APPEARANCES

**W.W. ENERGY**

Lynn Williams  
Dee Williams  
Vicki Walsh

**ADVANTAGEWON OIL, US, CORP:**

Nick Uhlig  
Sabrina Erika Lamm

**PROCEDURAL HISTORY:**

Notice of Hearing:	March 15, 2017
Hearing on the Merits:	April 21, 2017
Proposal for Decision:	May 18, 2017
Heard by:	Clayton J. Hoover, <i>Administrative Law Judge</i>
	Paul Dubois <i>Technical Examiner</i>

### SUMMARY AND EVIDENCE

This is a Single Signature P-4 case instituted by Advantagewon Oil & Gas Operating, LLC's ("Advantagewon") alleging that all prior Leases have expired by their own terms for lack of production. In response, W.W. Energy submitted various documents, then requested a hearing on the merits and appeared at the hearing only to admit that it had no good faith claim and that Advantagewon's allegations were correct.<sup>1</sup>

The sole issue before the Commission is whether W. W. Energy or Advantagewon has a "good faith claim" to operate the Leases, as that term is defined in Statewide Rule 15. At the hearing on the merits, Advantagewon presented testimony and executed and recorded documents showing its good faith claim. W.W. Energy appeared and admitted it had no good faith claim.<sup>2</sup>

The record evidence demonstrates that W.W. Energy did not present a "good faith claim" to operate the Leases and Wells and that the Advantagewon Single Signature P-4 should be approved.

### OPINION

The sole issue before the Commission is whether W.W. Energy or Advantagewon holds a "good faith claim" to a continuing right to operate the Leases. Statewide Rule 15(a)(5) defines "Good Faith Claim" 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.

The Commission's authority to determine a "good faith claim" arises from the *Magnolia* case. In discussing the Commission's authority to grant a drilling permit, the Texas Supreme Court stated, "The function of the Railroad Commission in this connection is to administer the conservation laws. When it grants a permit to drill a well it does not undertake to adjudicate questions of title or rights of possession. These questions must be settled in the courts."<sup>3</sup> The Court concluded, "Of course, the Railroad Commission should not do the useless thing of granting a permit to one who does not claim the property in *good faith*."<sup>4</sup>

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<sup>1</sup> Transcript, Page 19, Lines 20-21

<sup>2</sup> Id. and Transcript, Page 27, Lines 10-15

<sup>3</sup> *Magnolia Petroleum Co. v. Railroad Commission*, 170 S.W. 2d 189,191(Tex. 1943)

<sup>4</sup> Id. At 191 (emphasis added).

In the context of the right to continue operation of a lease, the Commission looks to the operator's lease or assignment and the production history from the lease.

In the instant Docket, Advantagewon holds a "good faith claim" to a continuing right to operate the Leases and W.W. Energy does not.

For these reasons, the Examiners (1) conclude that W.W. Energy had no good faith claim, that Advantagewon did prove its "good faith claim" to operate the Leases, (2) recommend approval of the Single Signature P-4 and (3) make the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

1. At least ten days' notice was given to W.W. ENERGY, Operator No. 888510.
2. W.W. Energy is the operator of record for the Mills, L.H. (00772) Lease, Well Nos. 1 and 2, and the State of Texas & Mills, L.H. (02171) Lease, Well No. 1, Kaye (Navarro) Field, Wilson County, Texas.
3. Advantagewon Oil, US, Corp holds Operator No. 008490 and holds title to the leases covering the captioned tracts and wells.
4. On or about January 3, 2017, the Administrative Law Judge requested in writing that W.W. ENERGY either (1) provide evidence that it holds a good faith claim to a continuing right to operate the referenced properties or (2) request a hearing on the matter. 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. 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."
6. The Mills, L.H. (00772) Lease, Well Nos 1 and 2, and the State of Texas & Mills, L.H. (02171) Lease, Well No. 1, Kaye (Navarro) Field, Wilson County, Texas, have been inactive with no reported production since July, 2015.
7. W.W. ENERGY failed to provide evidence that it holds a "good faith claim" to a continuing right to operate the referenced properties.

8. W.W. ENERGY does not hold, and admitted at hearing that it does not hold, a "good faith claim" to operate the referenced properties.
9. Advantagewon owns a new lease from the lessors and holds a "good faith claim" to a continuous right to operate the referenced properties.
10. The Mills, L.H. (00772) Lease, Well Nos 1 and 2, and the State of Texas & Mills, L.H. (02171) Lease, Well No. 1, Kaye (Navarro) Field, Wilson County, Texas, should be transferred to Advantagewon 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. W.W. Energy does not have a "good faith claim" to continue to operate the subject leases and wells.
5. Advantagewon Oil, US, Corp owns a lease and therefore does have a "good faith claim" to operate the subject leases and wells.

#### RECOMMENDATION

It is therefore recommended that the application of Advantagewon Oil, US, Corp for transfer of the Forms P-4 "Certificate of Compliance and Transportation Authority" for the Mills, L.H. (00772) Lease, Well Nos 1 and 2, and the State of Texas & Mills, L.H. (02171) Lease, Well No. 1, Kaye (Navarro) Field, Wilson County, Texas, be **APPROVED**, subject to the provisions of TEX. NAT. RES. CODE §§ 91.107, 91.114, 91.142 and TEX. ADMIN. CODE § 3.15.

RESPECTFULLY SUBMITTED,



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CLAYTON J. HOOVER  
*Administrative Law Judge*



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PAUL DUBOIS  
*Technical Examiner*