

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 7B-0305243

IN RE: SINGLE SIGNATURE P-4 TRANSFER OF RECORD OPERATOR FOR THE SNOWDEN HART LEASE (LEASE NO. 137738), WELL NO. 2, DOUBLE -F-(STRAWN) FIELD, PALO PINTO COUNTY, TEXAS, FROM PALO PINTO BOND COMPANY, LLC (OPERATOR NO. 637403) TO BORDERLINE OPERATING CORP. (OPERATOR NO. 082999)

FINAL ORDER

The Railroad Commission of Texas ("Commission" or "RRC") finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Palo Pinto Bond Company, LLC failed to request a hearing and did not otherwise respond such that this docket 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 May 22, 2017, Borderline Operating Corp. ("Borderline"), RRC Operator No. 082999, filed a single-signature Commission Form P-4 *Certificate of Compliance and Transportation Authority* ("Form P-4") requesting that it be designated the Commission operator of record for the Snowden Hart Lease, Lease No. 137738, Well No. 2 (the "Well"). The Form P-4 did not contain the signature of the current Commission operator of record for the Well.
2. Palo Pinto Bond Company, LLC ("Palo Pinto"), RRC Operator No. 637403, is the current Commission operator of record for the Well.
3. In a letter dated June 12, 2017, a Commission Administrative Law Judge ("ALJ") requested in writing that Palo Pinto 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 July 12, 2017. This writing expressly notified Palo Pinto 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. Palo Pinto 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 June 12, 2017 letter, and failed to request a hearing.
6. At least ten days' notice of an opportunity for hearing was given to Borderline and Palo Pinto.
7. Palo Pinto became the RRC operator of record for the Well in September 2016. There has been no reported production for the Well since December 2016.
8. To demonstrate its good faith claim to operate the Well, Borderline submitted a notarized contractual lease dated September 12, 2016, giving it the right to operate and produce the minerals from the tract where the Well is located.
9. Borderline has a current annual Commission Form P-5 *Organization Report* with a \$250,000 letter of credit as its financial assurance. Borderline is currently the record operator of 130 wells, not counting the Well. Borderline has sufficient financial assurance to operate the Well. Borderline's status at the Commission is active. See 16 TEX. ADMIN. CODE § 3.78(d) and (g).
10. Palo Pinto does not have a good faith claim to operate the Well.
11. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), Palo Pinto was provided an opportunity to request a hearing and failed to do so.
12. Borderline has demonstrated a good faith claim to a continuing right to operate the Well.
13. The Well should be transferred to Borderline 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. Palo Pinto 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. Borderline does have a good faith claim to operate the Well.

IT IS THEREFORE ORDERED that the application of Borderline to change the RRC operator of record for the Well is **APPROVED** and Borderline's submitted

Commission Form P-4 *Certificate of Compliance and Transportation Authority* reflecting itself as the current operator for the Well is **APPROVED** subject to the provisions of TEX. NAT. RES. CODE §§ 91.107, 91.114 and 91.142, and 16 TEX. ADMIN. CODE § 3.15.

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

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.

Done this 15th day of August 2017, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotested Master Order dated August 15,
2017)

JNC/rnf