



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

### PROPOSAL FOR DECISION

**OIL AND GAS DOCKET No. 03-0302562**

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**THE COMPLAINT OF SEAN HALLORAN THAT ADVANTAGEWON OIL, US, CORP. (008490) DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE KARIKER LUMBER COMPANY (03611) LEASE, SARATOGA FIELD, HARDIN COUNTY, TEXAS**

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### APPEARANCES

**FOR SEAN HALLORAN**

Grey Harris, Attorney at Law  
Sean Halloran

**FOR ADVANTAGEWON OIL, US, CORP:**

Nick Uhlig  
Sabrina Lamm

### **PROCEDURAL HISTORY:**

Notice of Hearing:  
Hearing on the Merits:  
Proposal for Decision:  
Heard by:

February 15, 2017  
March 15, 2017  
June 13, 2017  
Clayton J. Hoover,  
*Administrative Law Judge*  
Richard Eyster, P.G.  
*Technical Examiner*

### SUMMARY

In Docket No. 03-0302562, Sean Halloran ("Halloran") filed with the Commission a complaint letter challenging Advantagewon Oil, US, Corp.'s ("Advantagewon") "good faith claim" to a continued right to operate the Kariker Lumber Company (03611) Lease, Saratoga Field, Hardin County, Texas ("Lease"). Specifically, Halloran alleges that the Lease has expired by its own terms for lack of production. In response, Advantagewon submitted various recorded title instruments. Halloran then requested a hearing on the merits.

The sole issue before the Commission is whether Advantagewon has a "good faith claim" to operate the Lease, as that term is defined in Statewide Rule 15. At the

hearing on the merits, Advantagewon presented testimony of Nick Uhlig, an Assignment into Advantagewon, prior conveyances and other title documents.

The record evidence demonstrates that Advantagewon did present a “good faith claim” to operate the Lease. It is recommended that the Commission dismiss the Complaint.

### **EVIDENCE PRESENTED**

#### **ADVANTAGEWON**

In support of its argument that it has a “good faith claim” to operate the Lease, Advantagewon asserts that it holds a currently valid producing lease. Testifying on behalf of Advantagewon was Mr. Uhlig, a contractor for Advantagewon. Mr. Uhlig offered a recorded copy of an Assignment dated November 19, 2013, a prior conveyance, a copy of the underlying lease document and a Division of Interest dated November 29, 2016.<sup>1</sup> He testified that Advantagewon has continuously produced the well along with two other wells in the area.<sup>2</sup>

Further, Mr. Uhlig testified that the most recent sale of oil produced from the Lease occurred recently but he could not specify a date or how much oil was produced from the Kariker Lumber Company well.<sup>3</sup> He indicated that Advantagewon had an assignment of a valid lease and had been continuously producing the well, although he had not completely researched the chain of title.

Because Advantagewon claims the Lease is held by production, Official Notice was taken of Commission production records and other filings by Advantagewon.

#### **HALLORAN**

Halloran testified about the activities on the surface by Advantagewon and the damages caused thereby. He failed to show the absence of production or failure of title to the Lease. Halloran presented a copy of a 1917 document concerning the lease and documents concerning Advantagewon’s P-5 status (Docket No. 20-0299422) from February 2016.<sup>4</sup>

### **OPINION**

The sole issue before the Commission is whether Advantagewon holds a “good faith claim” to a continuing right to operate the Lease. Statewide Rule 15(a)(5) defines “Good Faith Claim” as:

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<sup>1</sup> Advantage Ex. 1-4

<sup>2</sup> See Trns. Vol I, pg 23, Ins. 19-22

<sup>3</sup> *Id.*

<sup>4</sup> Halloran Ex. 1,2

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>5</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>6</sup>

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

In the instant Docket, Advantagewon contends that the well is producing, that it holds assignments of the Lease and that Advantagewon therefore maintains a "good faith claim" to a continuing right to operate the Lease.

First, it should be noted that there has been reported production from the Lease every year since at least 1993, with zero production reported in only 8 of the last 27 months. There was production reported from February 2017 of eight barrels of oil.

Second, the record evidence demonstrates Advantagewon claims title under an Assignment dated November 19, 2013, and filed for record in Hardin County. Commission files demonstrate that Advantagewon became the operator of record for the Lease in December 2014 and that Advantagewon holds a valid P-5.

For these reasons, the Examiners conclude that Advantagewon presented a "good faith claim" to operate the Lease and recommend dismissal of the Complaint.

### **CONCLUSION**

The Examiners conclude that Advantagewon did present a "good faith claim" to operate the Lease and make the following Findings of Fact and Conclusions of Law:

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<sup>5</sup> *Magnolia Petroleum Co. v. Railroad Commission*, 170 S.W. 2d 189, 191 (Tex. 1943)

<sup>6</sup> *Id.* At 191 (emphasis added).

**FINDINGS OF FACTS**

1. On or about September 26, 2016, Sean Halloran filed with the Commission a written complaint alleging that Advantagewon Oil, US, Corp did not hold a "good faith claim" to operate the Kariker Lumber Company (03611) Lease, Saratoga Field, Hardin County, Texas.
2. Sean Halloran is the surface estate owner of the subject property.
3. By letter mailed November 18, 2016, Advantagewon was notified of the complaint.
4. The notice established a deadline of December 19, 2016, by which Advantagewon could either (A) request a hearing on the merits of the complaint; or, (B) submit written evidence that it held a good faith claim to operate the subject property, pursuant to Tex. Gov't Code §§ 2001.056 and 2001.062(e).
5. Advantagewon submitted evidence. Halloran requested a hearing on the merits
6. A Notice of Hearing was issued February 15, 2017.
7. A Hearing on the merits was held on March 15, 2017.
8. Advantagewon Oil, US, Corp. is the Form P-4 Record Operator of the Kariker Lumber Company (03611) Lease, Saratoga Field, Hardin County, Texas.
9. Advantagewon Oil, US, Corp. presented a recorded copy of an assignment dated November 19, 2013, for the Kariker Lumber Company (03611) Lease, Saratoga Field, Hardin County, Texas, along with other title documents. The 1917 document presented by Halloran appears to be an amendment or partition of the Lease.
10. Advantagewon Oil, US, Corp. has an active Form P-5 and has financial assurance in place in the form of a \$50,000.00 cash deposit, which expires on September 1, 2017.
11. Since November 2014, the Kariker Lumber Company (03611) Lease, Saratoga Field, Hardin County, Texas, has had reported production in 19 of the last 27 months.
12. 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)].

13. Advantagewon Oil, US, Corp. presented evidence sufficient to demonstrate that it has a "good faith claim" to operate Kariker Lumber Company (03611) Lease, Saratoga Field, Hardin County, Texas. It claims title under a recorded Assignment. Even if the underlying Lease expired or the chain of title is flawed, Advantagewon may have matured title through adverse possession by its continuous production and that of its predecessors in title (one of which is a prior operator of the Lease).


#### **CONCLUSIONS OF LAW**

1. Proper notice was timely issued to all persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Advantagewon Oil, US, Corp. has a "good faith claim" to operate the Kariker Lumber Company (03611) Lease, Saratoga Field, Hardin County, Texas.
4. Sean Halloran's Complaint should be dismissed.

#### **RECOMMENDATIONS**

The Administrative Law Judge and Technical Examiner recommend the Commission dismiss the Complaint brought by Sean Halloran against Advantagewon Oil, Us, Corp.

RESPECTFULLY SUBMITTED,

  
CLAYTON J. HOOVER  
Administrative Law Judge

  
RICHARD EYSTER, P.G.  
Technical Examiner