

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL & GAS DOCKET NO. 03-0306033**

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**SINGLE SIGNATURE P-4 FILING OF SAWTOOTH OPERATING CO., INC. (OPERATOR NO. 749152) FOR THE DISHMAN-LUCAS LEASE (LEASE NO. 20363), WELL NOS. 2 AND 3D, STOWELL FIELD, CHAMBERS COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM BAGLEY, ROY (OPERATOR NO. 042685) TO SAWTOOTH OPERATING CO., INC.**

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**Final Order**

The Railroad Commission of Texas ("Commission" or "RRC") finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Bagley, Roy failed to request a hearing and did not otherwise respond such that 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 July 25, 2017, Sawtooth Operating Co., Inc. ("Sawtooth"), RRC Operator No. 749152, 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 Dishman-Lucas Lease (Lease No. 20363), Well Nos. 2 and 3D ("Wells"). The Form P-4 did not contain the signature of the current Commission operator of record for the Wells.
2. Bagley, Roy ("Bagley"), RRC Operator No. 042685, is the current Commission operator of record for the Wells.
3. In a letter dated September 7, 2017, a Commission Administrative Law Judge ("ALJ") requested in writing that Bagley 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 October 9, 2017. This writing expressly notified Bagley that failure to timely request a hearing would constitute waiver of the provided opportunity to request a hearing for this proceeding. The letter was sent via first-class mail to Bagley's address of record at the Commission as identified in Bagley's most recent filing of Commission Form P-5 *Organization Report* ("Form P-5").
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. Bagley failed to provide evidence that it holds a good faith claim to a continuing right to operate the Wells, failed to respond to the ALJ's September 7, 2017 letter and failed to request a hearing.
6. At least ten days' notice of an opportunity for hearing was given to Sawtooth and Bagley.
7. Bagley became the RRC operator of record for the Wells in November 2003. There has been no reported production for the Wells since at least August 2011.
8. Bagley is delinquent in filing the annual Form P-5.
9. To demonstrate its good faith claim to operate the Wells, Sawtooth submitted contractual leases and other documentation demonstrating it has the right to operate the Wells.
10. Sawtooth has a current Form P-5 with a \$50,000 bond as its financial assurance. Sawtooth is currently the record operator of 69 wells. Sawtooth has sufficient financial assurance to operate the Wells. Sawtooth's status at the Commission is active. See 16 TEX. ADMIN. CODE § 3.78(d), (g).
11. Bagley does not have a good faith claim to operate the Wells.
12. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), Bagley was provided an opportunity to request a hearing and failed to do so.
13. Sawtooth has demonstrated a good faith claim to a continuing right to operate the Wells.
14. The Wells should be transferred to Sawtooth 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 §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. See, e.g., TEX. NAT. RES. CODE § 81.051.
3. Bagley does not have a good faith claim, as that term is defined in Statewide Rule 15(a)(5), to continue operating the Wells. 16 TEX. ADMIN. CODE § 3.15(a)(5).
4. Sawtooth does have a good faith claim to operate the Wells.

### Ordering Provisions

**IT IS THEREFORE ORDERED** that the application of Sawtooth to change the RRC operator of record for the Wells is **APPROVED** and Sawtooth's submitted Form P-4 *Certificate of Compliance and Transportation Authority* reflecting itself as the current operator for the Wells 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.

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 7<sup>th</sup> day of November 2017 in Austin, Texas.

### RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD  
Unprotested Master Order dated November 7, 2017)

JNC/rnf