

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET No. 7C-0307582**

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**COMPLAINT BY TRUSTEES OF SHANNON WEST TEXAS MEMORIAL HOSPITAL THAT CATHS OPERATING LLC (OP. NO.139931) DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE SIMPSON CANYON 103 UNIT (15861) LEASE, WELL NO. 103, BLUEGRASS (LEONARD) FIELD, CROCKETT COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after notice and opportunity for hearing, the operator of the captioned lease failed to respond with evidence purporting to demonstrate that the operator maintains a "good faith claim" to operate the captioned lease. The proceeding having been duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following Findings of Facts and Conclusions of Law.

**FINDINGS OF FACTS**

1. Caths Oil & Gas ("Caths") holds Form P-5 *Organization Report* Operator No. 139931. Caths is the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, located in Crockett County, Texas.
2. On or about October 30, 2017, Jean Yarbrough, trustee of Shannon West Memorial Hospital, submitted to the Commission a complaint letter alleging that Caths lacks authority to operate the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field.
3. On or about November 1, 2017, the Administrative Law Judge requested in writing that Caths 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 December 1, 2017. 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.
4. Caths failed to submit any evidence of a good faith claim or to request a hearing.
5. Caths' Form P-5 is delinquent. Caths had a \$25,000.00 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.
6. Caths became the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas, by filing a Form P-4 dated effective October 1, 2012. The Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas, has no reported production since January 2015.

7. 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)].
8. Caths failed to file any evidence to demonstrate Caths’s “good faith claim” to a continuing right to operate the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas. Therefore, Caths does not have a “good faith claim” to operate the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County.
9. Absent a “good faith claim” to operate, the subject well is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
10. Absent eligibility for an extension to the plugging requirements of Statewide Rule 15(e)(3), any plugging extensions of the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

#### **CONCLUSIONS OF LAW**

1. Proper notice of an opportunity for a hearing was timely issued to appropriate persons.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Caths does not have a “good faith claim” to operate the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas.
4. The Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas, is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
5. Any plugging extensions for the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

**THEREFORE, THE RAILROAD COMMISSION OF TEXAS HEREBY FINDS** that Caths Oil & Gas (Operator No. 139931) does not have a “good faith claim” to operate the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas, and **HEREBY ORDERS** that any plugging extensions for the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas, be cancelled and that Caths Operating LLC shall plug all wells on the Simpson Canyon 103 Unit (15861) Lease, Well No. 103, Bluegrass (Leonard) Field, Crockett County, Texas.

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),

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 Commission Order is signed. All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 23<sup>rd</sup> day of January 2018, in Austin, Texas.

**RAILROAD COMMISSION OF TEXAS  
(Order approved and signatures affixed  
by Hearings Division Unprotected Master  
Order dated January 23, 2018)**