

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0307416

IN RE: TRANSFER OF RECORD OPERATOR FOR THE MILLER, A. L. "A" (23370) LEASE, WELL NO. 1, ALLIGATOR BAYOU (6700) FIELD, CHAMBERS COUNTY, TEXAS, FROM LAYTON ENERGY INC. TO KINGWOOD EXPLORATION LLC

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the prior operator of the captioned lease did not respond and the docket proceeded as a default. 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 FACT

1. At least ten days' notice was given to Layton Energy Inc. (Operator No. 491399), ("Layton"), and Kingwood Exploration LLC (Operator No. 076859), ("Kingwood").
2. Layton is the operator of record for the Miller, A. L. "A" (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas.
3. On or about October 20, 2017, Kingwood submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the Miller, A. L. "A" (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas, from Layton to Kingwood, as operator of record.
4. All Commission correspondence to Layton was sent via United States Postal Service 1st class mail to Layton's most recent address of record, as set forth on Layton's most recent Form P-5 *Organization Report*.
5. All Commission correspondence to Kingwood was sent via United States Postal Service 1st class mail to Kingwood's address of record, as set forth on Kingwood's most recent Form P-5 *Organization Report*.
6. On or about November 15, 2017, the Administrative Law Judge requested in writing that Layton 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 15, 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.

7. Kingwood has an active Form P-5, with adequate financial assurance on file with the Commission.
8. Layton has a delinquent Form P-5 without sufficient financial assurance to operate the lease and well in dispute.
9. 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.”
10. Since January 2010, the Miller, A. L. “A” (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas, has either reported zero production or has not reported production.
11. Kingwood presented an oil, gas, and mineral lease dated August 10, 2017, purporting to cover the subject property, for a primary term of three years, as a “good faith claim” to operate the Miller, A. L. “A” (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas.
11. Layton failed to reply to the Administrative Law Judge’s letter dated November 15, 2017, with any documents that it holds a “good faith claim” to a continuing right to operate the referenced property and failed to timely request a hearing.
12. Layton does not have a “good faith claim” to operate the referenced property.
13. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), Layton and Kingwood have waived the opportunity to request a hearing on the matter.
14. Kingwood has a “good faith claim” to a continuous right to operate the referenced property.
15. The Miller, A. L. “A” (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas, should be transferred to Kingwood 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. Layton does not have a “good faith claim” to continue to operate Miller, A. L. “A” (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas.
5. Kingwood has a “good faith claim” to operate the Miller, A. L. “A” (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas.

IT IS THEREFORE ORDERED that the application of Kingwood Exploration, LLC for transfer of the Form P-4 “Certificate of Compliance and Transportation Authority” for the Miller, A. L. “A” (23370) Lease, Well No. 1, Alligator Bayou (6700) Field, Chambers County, Texas, is hereby **APPROVED**, subject to the provisions of TEX. NAT. RES. CODE §§ 91.107, 91.114, 91.142 and TEX. ADMIN. CODE § 3.15.

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 23rd Day of January, 2018 in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(ORDER APPROVED AND SIGNATURES AFFIXED
BY HEARINGS DIVISION UNPROTESTED MASTER ORDER
DATED JANUARY 23, 2018)**