

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 01-0308639

SINGLE SIGNATURE P-4 FILING OF CROSSROADS MINERAL PRODUCTION, L.L.C. (OPERATOR NO. 190711) FOR THE PFEIL (14077) LEASE, WELL NO. 2, KHAN (AUSTIN CHALK) FIELD, WILSON COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM CEI OPERATING LLC (OPERATOR NO. 140718) TO CROSSROADS MINERAL PRODUCTION, L.L.C.

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the 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.

FINDING OF FACT

1. At least twenty days' notice was given to CEI Operating LLC (Operator No. 140718), ("CEI Operating"), and Crossroads Mineral Production, L.L.C. (Operator No. 190711), ("Crossroads Mineral").
2. CEI Operating is the operator of record for the Pfeil (14077) Lease, Well No. 2, Khan (Austin Chalk) Field, Wilson County, Texas.
3. On or about November 15, 2017, Crossroads Mineral submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the Pfeil (14077) Lease, Well No. 2, Khan (Austin Chalk) Field, Wilson County, Texas, from CEI Operating to Crossroads Mineral, as operator of record.
4. All Commission correspondence to CEI Operating was sent via United States Postal Service first-class mail to CEI Operating's address of record, as set forth on CEI Operating's most recent Form P-5 *Organization Report*.
5. All Commission correspondence to Crossroads Mineral was sent via United States Postal Service first-class mail to Crossroads Mineral's address of record, as set forth on Crossroads Mineral's most recent Form P-5 *Organization Report*.
6. On or about March 5, 2018, the Administrative Law Judge requested in writing that CEI Operating 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 April 6, 2018. 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. CEI Operating's Form P-5 is active-ext. CEI Operating has a \$50,000.00 cash deposit as its financial assurance.
8. Crossroads Mineral's Form P-5 is active. Crossroads Mineral has a \$25,000.00 letter of credit as its financial assurance.
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. No production has been reported on the subject lease since
11. CEI Operating failed to reply to the Administrative Law Judge's letter dated March 5, 2018, with any documents that it holds a "good faith claim" to a continuing right to operate the subject lease and failed to timely request a hearing.
12. CEI Operating does not have a "good faith claim" to operate the subject lease.
13. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), CEI Operating and Crossroads Mineral have waived the opportunity to request a hearing on the matter.
14. Crossroads Mineral now asserts a "good faith claim" to a continuous right to operate the subject lease.
15. The Pfeil (14077) Lease, Well No. 2, Khan (Austin Chalk) Field, Wilson County, Texas, should be transferred to Crossroads Mineral 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 has occurred.
3. Resolution of this docket is a matter committed to the jurisdiction of the Commission. TEX. GOV'T CODE §§ 81.051.
4. CEI Operating does not have a "good faith claim" to continue to operate the Pfeil (14077) Lease, Well No. 2, Khan (Austin Chalk) Field, Wilson County, Texas.
5. Crossroads Mineral does have a "good faith claim" to continue to operate the Pfeil (14077) Lease, Well No. 2, Khan (Austin Chalk) Field, Wilson County, Texas.

IT IS THEREFORE ORDERED that the application of Crossroads Mineral Production, L.L.C. for transfer of the Form P-4 "Certificate of Compliance and Transportation Authority" 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 be effective on April 24, 2018, when the Master Order relating to this Final Order is signed.

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

Done this 24th day of April 2018, Austin, Texas.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated April 24, 2018)**