

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 05-0308647

SINGLE SIGNATURE P-4 FILING OF BONES OIL, LLC (OPERATOR NO. 082397) FOR THE MCKIE-HUMBLE, W. J. (02250), LEASE, CORSICANA (SHALLOW) FIELD, NAVARRO COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM ADAIR RESOURCES INC. (OPERATOR NO. 003966) TO BONES OIL, LLC

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 Adair Resources Inc. (Operator No. 003966), ("Adair Resources"), and Bones Oil, LLC (Operator No. 082397), ("Bones Oil").
2. Adair Resources is the operator of record for the McKie-Humble, W. J. (02250), Lease, Corsicana (Shallow) Field, Navarro County, Texas.
3. On or about December 15, 2017, Bones Oil submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the McKie-Humble, W. J. (02250), Lease, Corsicana (Shallow) Field, Navarro County, Texas, from Adair Resources to Bones Oil, as operator of record.
4. All Commission correspondence to Adair Resources was sent via United States Postal Service first-class mail to Adair Resources' address of record, as set forth on Adair Resources' most recent Form P-5 *Organization Report*.
5. All Commission correspondence to Bones Oil was sent via United States Postal Service first-class mail to Bones Oil's address of record, as set forth on Bones Oil's most recent Form P-5 *Organization Report*.
6. On or about January 18, 2018, the Administrative Law Judge requested in writing that Adair Resources 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 February 20, 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. Adair Resources' Form P-5 is delinquent. Adair Resources had a \$50,000.00 bond as its financial assurance at the time of the last Form P-5 annual renewal submission.
8. Bones Oil's Form P-5 is active. Bones Oil 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 August 2013.
11. Adair Resources failed to reply to the Administrative Law Judge's letter dated January 18, 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. Adair Resources 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), Adair Resources and Bones Oil have waived the opportunity to request a hearing on the matter.
14. Bones Oil now asserts a "good faith claim" to a continuous right to operate the subject lease.
15. The McKie-Humble, W. J. (02250), Lease, Corsicana (Shallow) Field, Navarro County, Texas, should be transferred to Bones Oil 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. Adair Resources does not have a "good faith claim" to continue to operate the McKie-Humble, W. J. (02250), Lease, Corsicana (Shallow) Field, Navarro County, Texas.
5. Bones Oil does have a "good faith claim" to continue to operate the McKie-Humble, W. J. (02250), Lease, Corsicana (Shallow) Field, Navarro County, Texas.

IT IS THEREFORE ORDERED that the application of Bones Oil, LLC 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 March 20, 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 20th day of March 2018, Austin, Texas.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated March 20, 2018)**