

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 09-0308831

SINGLE SIGNATURE P-4 FILING OF SKY RESOURCES, INC. (OPERATOR NO. 786408) FOR THE PARROTT-ROACH (12196) LEASE, WELL NO.S 1, 1WS, 2, 3W, 4, 5, AND 6, YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM ARROWHEAD PRODUCTIONS, LP (OPERATOR NO. 033523) TO SKY RESOURCES, INC.

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 Arrowhead Productions, LP (Operator No. 033523), ("Arrowhead"), and Sky Resources, Inc. (Operator No. 786408), ("Sky Resources").
2. Arrowhead is the operator of record for the Parrott-Roach (12196) Lease, Well No.s 1, 1WS, 2, 3W, 4, 5, and 6, Young County Regular Field, Young County, Texas.
3. On or about January 18, 2018, Sky Resources submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the Parrott-Roach (12196) Lease, Well No.s 1, 1WS, 2, 3W, 4, 5, and 6, Young County Regular Field, Young County, Texas, from Arrowhead to Sky Resources, as operator of record.
4. All Commission correspondence to Arrowhead was sent via United States Postal Service first-class mail to Arrowhead's address of record, as set forth on Arrowhead's most recent Form P-5 *Organization Report*.
5. All Commission correspondence to Sky Resources was sent via United States Postal Service first-class mail to Sky Resources's address of record, as set forth on Sky Resources's most recent Form P-5 *Organization Report*.
6. On or about January 29, 2018, the Administrative Law Judge requested in writing that Arrowhead 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 March 2, 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. Arrowhead's Form P-5 is active-ext. Arrowhead has a \$250,000.00 letter of credit as its financial assurance.
8. Sky Resources's Form P-5 is active. Sky Resources has a \$50,000.00 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. Arrowhead failed to reply to the Administrative Law Judge's letter dated January 29, 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. Arrowhead 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), Arrowhead and Sky Resources have waived the opportunity to request a hearing on the matter.
14. Sky Resources now asserts a "good faith claim" to a continuous right to operate the subject lease.
15. The Parrott-Roach (12196) Lease, Well No.s 1, 1WS, 2, 3W, 4, 5, and 6, Young County Regular Field, Young County, Texas, should be transferred to Sky Resources 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. Arrowhead does not have a "good faith claim" to continue to operate the Parrott-Roach (12196) Lease, Well No.s 1, 1WS, 2, 3W, 4, 5, and 6, Young County Regular Field, Young County, Texas.
5. Sky Resources does have a "good faith claim" to continue to operate the Parrott-Roach (12196) Lease, Well No.s 1, 1WS, 2, 3W, 4, 5, and 6, Young County Regular Field, Young County, Texas.

IT IS THEREFORE ORDERED that the application of Sky Resources, Inc. 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 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 100 days from the date Commission 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)**