

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 05-0310480

SINGLE SIGNATURE P-4 FILING OF DEGUELLO OPERATION LLC (210225) FOR THE AFNU LEASE, WELL NO. 5601, ALABAMA FERRY (GLENROSE "D") FIELD, LEON COUNTY TEXAS TO CHANGE THE OPERATOR FROM JAY MANAGEMENT COMPANY, LLC (430368) TO DEGUELLO OPERATING 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. Jay Management Company LLC ("Jay"), Operator No.430368, is the operator of record for the AFNU Lease, Well No. 5601 Alabama Ferry (Glenrose "D") Field, Leon County Texas.
2. On or about February 9, 2018, Deguello Operating LLC ("Deguello"), Operator No. 210225, submitted to the Commission a Form P-4 Certificate of Compliance and Transportation Authority requesting transfer of the AFNU Lease, Well No. 5601 Alabama Ferry (Glenrose "D") Field, Leon County Texas, from Jay to Deguello, as operator of record.
3. On or about April 19, 2018, the Administrative Law Judge requested in writing that Jay 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 May 21, 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.
4. All Commission correspondence to Jay was sent via United States Postal Service first-class mail to Jay's address of record, as set forth on Jay's most recent Form P-5 Organization Report.
5. Jay's Form P-5 is active.
6. Deguello's Form P-5 is active. Deguello has a \$25,000 letter of credit as its financial assurance.
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."

8. Jay failed to reply to the Administrative Law Judge's letter dated April 19, 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.
9. Jay does not have a "good faith claim" to operate the subject lease.
10. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), Jay has waived the opportunity to request a hearing on the matter.
11. Deguello now asserts a "good faith claim" to a continuous right to operate the subject lease.
12. The AFNU Lease, Well No. 5601 Alabama Ferry (Glenrose "D") Field, Leon County Texas, should be transferred to Deguello 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. Jay does not have a "good faith claim" to continue to operate the AFNU Lease, Well No. 5601, Alabama Ferry (Glenrose "D") Field, Leon County Texas.
5. Deguello does have a "good faith claim" to continue to operate the AFNU Lease, Well No. 5601, Alabama Ferry (Glenrose "D") Field, Leon County Texas.

IT IS THEREFORE ORDERED that the application of Deguello Operating 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 §§ 91.1041, 91.1042, 91.107, 91.114, 91.142 and TEX. ADMIN. CODE § 3.15, 3.58, and 3.78. If after 90 days Deguello Operating, LLC has not met the requirements of the listed provisions, this Order shall be **VOID** and the subject Form P-4 shall be marked as *Unable to Process* and archived.

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 21st day of August 2018, Austin, Texas.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated August 21, 2018)**