

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 7C-0311839

SINGLE SIGNATURE P-4 FILING OF WHITEHEAD PROPERTIES, INC. (919411) FOR THE WHITEHEAD "A" (16836) LEASE, CEDAR KNOLL (CROSSCUT SAND) FIELD, TOM GREEN COUNTY, TEXAS TO CHANGE THE OPERATOR FROM PAINT ROCK OPERATING, LLC (634974) TO WHITEHEAD PROPERTIES, INC.

FINAL ORDER

The Railroad Commission of Texas ("Commission" or "RRC") finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Paint Rock Operating, LLC failed to request a hearing and did not otherwise respond such that this case can proceed as a default. This proceeding having been duly submitted to the Commission at a conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

Findings of Fact

1. On or about June 5, 2018, Whitehead Properties, Inc. ("Whitehead"), RRC Operator No. 919411, filed a single-signature Form P-4 *Certificate of Compliance and Transportation Authority* ("Form P-4") requesting that it be designated the Commission operator of record for the Whitehead "A" Lease, Lease No. 16836 ("Lease"). The Form P-4 did not contain the signature of the current Commission operator of record for the Lease.
2. Paint Rock Operating, LLC ("Paint Rock"), RRC Operator No. 634974, is the current Commission operator of record for the Lease.
3. In a letter dated June 28, 2018, a Commission Administrative Law Judge ("ALJ") requested in writing that Paint Rock 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 July 30, 2018. This letter expressly notified Paint Rock that failure to timely request a hearing would constitute waiver of the opportunity to request a hearing for this proceeding. The letter was sent via first-class mail to Paint Rock's address of record at the Commission as identified in Paint Rock's most recent filing of Form P-5 *Organization Report* ("Form P-5").
4. 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.” 16 TEX. ADMIN. CODE § 3.15(a)(5).
5. Paint Rock failed to provide evidence that it holds a good faith claim to a continuing right to operate the Lease, failed to respond to the ALJ’s June 28, 2018 letter and failed to request a hearing.
 6. At least ten days’ notice of an opportunity for hearing was given to Whitehead and Paint Rock.
 7. To demonstrate its good faith claim to operate the Lease, Whitehead presented documentation, including property records, indicating that Whitehead has the right to operate the wells on the Lease.
 8. Whitehead has a current Form P-5 with a \$9,838 letter of credit as its financial assurance. Whitehead is currently the record operator of zero wells. Whitehead’s status at the Commission is active.
 9. Paint Rock does not have a good faith claim to operate the Lease.
 10. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), Paint Rock was provided an opportunity to request a hearing and failed to do so.
 11. Whitehead has demonstrated a good faith claim to a continuing right to operate the Lease.
 12. The Lease should be transferred to Whitehead as operator of record.

Conclusions of Law

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice. See, e.g., TEX. GOV’T CODE § 2001.051; 16 TEX. ADMIN. CODE §§ 1.42, 1.45.
2. The Commission has jurisdiction in this case. See, e.g., TEX. NAT. RES. CODE § 81.051.
3. Paint Rock does not have a good faith claim, as that term is defined in Statewide Rule 15(a)(5), to continue operating the Lease. 16 TEX. ADMIN. CODE § 3.15(a)(5).
4. Whitehead does have a good faith claim to operate the Lease.

Ordering Provisions

IT IS THEREFORE ORDERED that the application of Whitehead to change the RRC operator of record for the Lease is **APPROVED** and Whitehead’s submitted Form P-4 *Certificate of Compliance and Transportation Authority* reflecting itself as the current

operator for the Lease 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 after the order becomes final, Whitehead has not met the requirements of the listed provisions, this Final Order shall be **VOID** and the subject Form P-4 shall be marked as *Unable to Process* and archived.

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

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) and 16 TEX. ADMIN. CODE § 1.128(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 the Commission Order is signed.

Done this 21st day of August 2018, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotected Master Order dated August 21,
2018)

JNC/mls