

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 01-0314462

SINGLE SIGNATURE P-4 FILING OF CASTILLO OIL COMPANY LLC (OPERATOR NO. 139634) FOR THE HJ HEMME ET AL. (18427) LEASE, WELL NO. 4, FENTRESS (1750) FIELD, CALDWELL COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM HIGHER STANDARD OIL COMPANY, INC. (OPERATOR NO. 385715) TO CASTILLO OIL COMPANY 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 Higher Standard Oil Company Inc. (Operator No. 385715), ("Higher Standard"), and Castillo Oil Company LLC (Operator No. 139634), ("Castillo").
2. Higher Standard is the operator of record for the HJ Hemme Et Al. (18427) Lease, Well No. 4, Fentress (1750) Field, Caldwell County, Texas.
3. On or about July 30, 2018, Castillo submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the HJ Hemme Et Al. (18427) Lease, Well No. 4, Fentress (1750) Field, Caldwell County, Texas, from Higher Standard to Castillo, as operator of record.
4. All Commission correspondence to Higher Standard was sent via United States Postal Service first-class mail to Higher 's address of record, as set forth on Higher Standard's most recent Form P-5 *Organization Report*.
5. All Commission correspondence to Castillo was sent via United States Postal Service first-class mail to Castillo's address of record, as set forth on Castillo's most recent Form P-5 *Organization Report*.
6. On or about August 24, 2018, the Administrative Law Judge requested in writing that Higher Standard 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 September 24, 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. Higher Standard's Form P-5 is delinquent. Higher Standard had a \$50,000.00 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.
8. Castillo's Form P-5 is active. Castillo 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 October 2016.
11. Higher Standard failed to reply to the Administrative Law Judge's letter dated August 24, 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. Higher Standard does not have a "good faith claim" to operate the subject lease.
13. Castillo now asserts a "good faith claim" to a continuous right to operate the subject lease.
14. The HJ Hemme Et Al. (18427) Lease, Well No. 4, Fentress (1750) Field, Caldwell County, Texas, should be transferred to Castillo 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. Higher Standard does not have a "good faith claim" to continue to operate the HJ Hemme Et Al. (18427) Lease, Well No. 4, Fentress (1750) Field, Caldwell County, Texas.
5. Castillo does have a "good faith claim" to continue to operate the HJ Hemme Et Al. (18427) Lease, Well No. 4, Fentress (1750) Field, Caldwell County, Texas.

IT IS THEREFORE ORDERED that the application of Castillo Oil Company 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 after the order becomes final, Castillo Oil Company 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 30th day of October 2018, Austin, Texas.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated November 30,
2018)**