

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 7B-0318092

SINGLE SIGNATURE P-4 FILING BY S.B. STREET OPERATING, INC. (OPERATOR NO. 740251) FOR THE NORMAN (21780) LEASE, WELL NOS. 1 AND 2, OLD GLORY, NE. (BEND CONGL.) FIELD, HASKELL COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM TKP PETROLEUM, INC. (OPERATOR NO. 860891) TO S.B. STREET OPERATING, INC.

FINAL ORDER

The Railroad Commission of Texas ("Commission" or "RRC") finds that after notice and an opportunity for hearing regarding the captioned proceeding, TKP Petroleum, Inc. 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 February 11, 2019, S.B. Street Operating, Inc. ("S.B. Street"), RRC Operator No. 740251, 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 Norman Lease, Lease No. 21780, Well Nos. 1 and 2 ("Wells"). The Form P-4 did not contain the signature of the current Commission operator of record for the Wells.
2. TKP Petroleum, Inc. ("TKP"), RRC Operator No. 860891, is the current Commission operator of record for the Wells.
3. In a letter dated April 1, 2019, a Commission Administrative Law Judge ("ALJ") requested in writing that TKP 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 1, 2019. This letter expressly notified TKP 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 TKP's address of record at the Commission as identified in TKP'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. TKP failed to provide evidence that it holds a good faith claim to a continuing right to operate the Wells, failed to respond to the ALJ’s April 1, 2019 letter and failed to request a hearing.
 6. At least ten days’ notice of an opportunity for hearing was given to S.B. Street and TKP.
 7. To demonstrate its good faith claim to operate the Wells, S.B. Street presented documentation including an oil, gas and mineral lease giving S.B. Street the right to operate and produce the minerals from the tract where the Wells are located.
 8. S.B. Street has a current Form P-5 with a \$250,000 letter of credit as its financial assurance. S.B. Street is currently the record operator of 257 wells. S.B. Street’s status at the Commission is active.
 9. TKP’s status at the Commission is delinquent.
 10. TKP does not have a good faith claim to operate the Wells.
 11. Pursuant to Tex. Gov’t Code §§ 2001.056 and 2001.062(e), TKP was provided an opportunity to request a hearing and failed to do so.
 12. S.B. Street has demonstrated a good faith claim to a continuing right to operate the Wells.
 13. The Wells should be transferred to S.B. Street as operator of record.

Conclusions of Law

1. Proper notice of hearing was timely issued to 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. TKP does not have a good faith claim, as that term is defined in Statewide Rule 15(a)(5), to continue operating the Wells. 16 Tex. Admin. Code § 3.15(a)(5).
4. S.B. Street does have a good faith claim to operate the Wells.

Ordering Provisions

IT IS THEREFORE ORDERED that the application of S.B. Street to change the RRC operator of record for the Wells is **APPROVED** and S.B. Street's submitted Form P-4 *Certificate of Compliance and Transportation Authority* reflecting itself as the current operator for the Wells 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, S.B. Street 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 4th day of June 2019, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by HD
Unprotested Master Order dated June 4, 2019)

JNC/mls