

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 6E-0320987

GOOD FAITH CLAIM REVIEW OF M-C PRODUCTION & DRILLING CO, INC. (OPERATOR. NO. 518063) AND BASA RESOURCES, INC. (OPERATOR NO. 053974) FOR THE LANDERS, C. C. (07975) LEASE, WELL NO. 9, EAST TEXAS FIELD, UPSHUR COUNTY, TEXAS

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the applicant operator of the captioned lease and well submitted evidence demonstrating that the operator obtained and now maintains a "good faith claim" to operate the captioned property. 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.

FINDINGS OF FACT

1. M-C Production & Drilling Co, Inc. ("M-C") is the present operator of record for the Landers, C. C. (07975) Lease, Well No. 9, East Texas Field, Upshur County, Texas. There are no holds preventing a transfer of the subject lease. No production has been reported from the subject lease since August 2014.
2. M-C's Form P-5 is delinquent. M-C had a \$50,000.00 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.
3. On or about May 9, 2019, BASA Resources, Inc. ("BASA") submitted to the Commission a Form P-4 Certificate of Compliance and Transportation Authority requesting transfer of the Landers, C. C. (07975) Lease, Well No. 9, East Texas Field, Upshur County, Texas, from M-C to BASA, as operator of record, executed by Angela Holcombe, as Authorized Employee of M-C.
4. On or about June 4, 2019, the Enforcement Section of the Railroad Commission of Texas ("Enforcement Section" or "Staff") submitted to the Hearings Division a letter requesting a Good Faith Claim Review of this Form P-4 for the subject property.
5. On or about July 16, 2019, the Administrative Law Judge demanded in writing that BASA either: (1) provide evidence that it held a good faith claim to a continuing right to operate the referenced property, including information concerning the authority of Angela Holcombe to execute the subject Form P-4 on behalf of M-C; or (2) request a hearing on the matter before August 15, 2019.

6. 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)].
7. On or about July 19, 2019, BASA submitted the following:
 - a. A second Form P-4 for the subject property, this time executed by David M. Chandler, President of M-C, on behalf of M-C.
 - b. Copy of Assignment and Bill of Sale dated effective October 30, 2018, from M-C and AC3 Operating LLC, as Assignors, to East Texas Saltwater Disposal Company, as Assignee, recorded as Document No. 201808024 in the Official Public Records of Upshur County, Texas, purporting to assign all of the right, title, and interest of M-C and AC3 Operating LLC in the subject property ("Assignment"); and
 - c. Letter dated May 2, 2019, from P. J. Nault, President and CEO of Texas Saltwater Disposal Company, stating that BASA is the contract operator for the subject property.
8. The legal description set forth in the Assignment includes the following: "it is the intent of Assignors to assign to Assignee a 100% working interest, consisting of a 75% net revenue interest, in the C. C. Landers lease (RRC #07975) as it relates to those depths from the surface down to the base of the Woodbine formation only, whether or not the said lease is herein specifically or correctly described."
9. The Assignment further recites that the Landers, C. C. (07975) Lease includes that certain "Oil, Gas and Mineral Lease from C. C. Landers, et ux, lessor, to Elbert Williams, lessee, dated December 1, 1930, recorded at Volume 5, page 589, of the Oil and Gas Lease Records of Upshur County, Texas."
10. In addition, the Assignment recites that the subject property was more particularly described in that certain "Assignment, Bill of Sale and Conveyance from Madera Production Company to M-C Production and Drilling Co., Inc. recorded at Volume 117, Page 280 of the Official Public Records of Upshur County, Texas."
11. BASA's Form P-5 is active. BASA has a \$250,000.00 bond as its financial assurance.
12. BASA now asserts a "good faith claim" to a right to operate the subject lease.
13. On August 13, 2019, BASA requested in writing that the first Form P-4 originally submitted on May 9, 2019, be withdrawn from consideration in favor of the second Form P-4 filed on July 19, 2019.

CONCLUSIONS OF LAW

1. Proper notice was timely issued to appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. BASA Resources, Inc., does have a "good faith claim" to continue to operate the Landers, C. C. (07975) Lease, Well No. 9, East Texas Field, Upshur County, Texas.
4. The Landers, C. C. (07975) Lease, Well No. 9, East Texas Field, Upshur County, Texas, should be transferred to BASA Resources, Inc. as operator of record.

IT IS THEREFORE ORDERED that the subject single-signature Form P-4 filed by BASA Resources, Inc., for the subject property on May 9, 2019, be marked as "UNABLE TO PROCESS" and be archived along with a copy of this order.

It is further **ORDERED** that the application of BASA Resources, Inc., for transfer of the Form P-4 *Certificate of Compliance and Transportation Authority* filed on July 19, 2019, 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 this Order becomes final, BASA Resources, Inc., 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 11th day of September 2019, Austin, Texas.

Railroad Commission of Texas (Order approved and signatures affixed by Hearings Division Unprotested Master Order dated September 11, 2019)