

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 10-0320364: COMMISSION CALLED HEARING AT THE REQUEST OF PETROLIA GROUP, L.L.C. (660810) TO SHOW CAUSE WHY THE SKELLY-MERCHANT (00989) LEASE, WELL NOS. 1, 2, 3, 5, 6, 7, 8, 9, AND 10, PANHANDLE HUTCHINSON COUNTY FIELD, HUTCHINSON COUNTY, TEXAS, SHOULD NOT BE PLUGGED BY THE COMMISSION AND THE OPERATOR HELD LIABLE FOR THE PLUGGING COSTS AND/OR THE COMMISSION ORDER THE OPERATOR TO PLUG THE WELLS

FINAL ORDER

The Railroad Commission of Texas ("Commission" or "RRC") finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Petrolia Group, L.L.C. failed to appear at the hearing such that this docketed case can proceed as a default. This proceeding having duly been 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. In a letter dated April 18, 2019, Commission staff ("Staff") directed Petrolia Group, L.L.C. ("Petrolia") to plug the Skelly-Merchant (00989) Lease, Well Nos. 1, 2, 3, 5, 6, 7, 8, 9 and 10, ("Wells") because Staff determined that the Wells are inactive, do not have approved plugging extensions, and are leaking or likely to be leaking. In the letter, Staff gave Petrolia the opportunity to request a hearing.
2. Petrolia is the current RRC operator of record for the Wells.
3. On or about May 22, 2019, Petrolia filed a letter with the Hearings Division, requesting a hearing in response to Staff's April 18, 2019 letter.
4. On August 5, 2019, a Notice of Hearing ("Notice") setting the hearing for August 30, 2019, was sent to Staff and to Petrolia. The Notice was sent by first-class mail to Petrolia's address of record at the Commission as identified in Petrolia's most recent filing of its Commission Form P-5 (*Organization Report*) and by first-class mail to Petrolia's counsel of record.
5. The hearing was convened on August 30, 2019, as noticed. Staff and an observer appeared. Petrolia did not appear.
6. At least ten days' notice of the hearing was given to Petrolia and Staff.

7. At the hearing, Staff submitted evidence including testimony and documentation showing the following:
 - a. There has been no reported production on the Wells since October 2013.
 - b. Petrolia's P-5 status at the Commission is delinquent.
 - c. At a Commission inspection of the subject lease, Staff found all of the Wells shut-in and inactive.
8. Absent a good faith claim to operate, the Wells are not eligible for extensions to the plugging requirements in Statewide Rule 14 and 15 as provided for in Statewide Rule 15(e).
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." 16 Tex. Admin. Code § 3.15(a)(5).
10. No evidence was presented showing Petrolia has a good faith claim to operate the Wells.
11. Petrolia does not have a good faith claim to operate the Wells.
12. The Wells should be plugged and any plugging extensions relating to them should be revoked.
13. Pursuant to Tex. Gov't Code §§ 2001.056 and 2001.062(e), Petrolia was provided notice and an opportunity for hearing and failed to appear at the hearing.

CONCLUSIONS OF LAW

1. Proper notice of opportunity for hearing was timely issued to persons entitled to notice. *See, e.g.*, Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code § 1.45(a).
2. The Commission has jurisdiction in this case. *See, e.g.*, Tex. Nat. Res. Code § 81.051.
3. Petrolia 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. The Wells are not eligible for plugging extensions and the Wells should be plugged.

IT IS THEREFORE ORDERED that Petrolia does not have a good faith claim to operate the Wells, that any plugging extensions for the Wells be cancelled, and that a good-faith-claim hold be placed on any P-4 transfers for the Wells. Petrolia is **ORDERED** to plug the wells and place the subject lease in compliance with Statewide Rules 8, 14, and 15 (16 Tex. Admin. Code §§ 3.8, 3.14 and 3.15), and any other applicable Commission rules no later than 30 days after this order becomes final.

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 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 90 days from the date the parties are notified of this order in accordance with Tex. Gov't Code § 2001.144.

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

Done this 17th day of December, 2019, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed by HD
Unprotested Master Order dated December 17,
2019)

JNC/mls