

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 05-0322463:**

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**SINGLE SIGNATURE P-4 FILING OF DEGUELLO OPERATING LLC (OPERATOR NO. 210225) FOR THE AFGRD UNIT (03330) LEASE, WELL NO. 41, ALABAMA FERRY (GLENROSE "D") FIELD, LEON COUNTY, TEXAS, TO CHANGE THE OPERATOR FROM NEWCO OIL AND GAS, LLC (OPERATOR NO. 606419) TO DEGUELLO OPERATING, LLC**

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**FINAL ORDER**

The Commission finds that after notice and opportunity for hearing, the operator of the captioned lease withdrew their response seeking to challenge Deguello Operating LLC's Single Signature Form P-4 for the above-referenced lease and well. 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. Newco Oil and Gas, LLC ("Newco") is the operator of record for the AFGRD Unit (03330) Lease, Well No. 41, Alabama Ferry (Glenrose "D") Field, Leon County, Texas.
2. On or about August 13, 2019, Deguello Operating LLC ("Deguello") submitted to the Commission a single-signature Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the subject lease and well, from Newco to Deguello, as operator of record. As part of this application, Deguello submitted a Form P-6 *Request for Permission to Consolidate/Subdivide Leases* requesting that the subject well be transferred from the AFGRD Unit (03330) Lease to the Tubb Lease (02962).
3. The operator of record for the subject lease and well at the time of the captioned filing was Hydrogeo, L.L.C ("Hydrogeo"). On or about September 17, 2019, the Administrative Law Judge ("ALJ") requested in writing that Hydrogeo 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 within 30 days. 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.
4. Effective October 16, 2019, the operator of record for the subject lease and well was changed from Hydrogeo to Newco.
5. On October 17, 2019, a response was filed by Newco Oil and Gas, LLC, claiming a good faith claim right to operate the subject lease and well.

6. On December 13, 2019, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") on the above-referenced filing setting a hearing date of January 9, 2020. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. Newco was included on the service list attached to the Notice.
7. The hearing was held on January 9, 2020 as noticed. Deguello and Newco appeared. Hydrogeo did not appear. Newco stated on the record that it would waive any defect of notice of the hearing and wished to be designated as a party to the captioned docketed case.
8. At the hearing, Deguello argued that the subject well is not held by production from the AFGRD Unit because the mineral owners of the tract on which the subject well is located did not ratify the unit. It further claimed that no production has been reported from the subject well for more than twelve months.
9. At the conclusion of the hearing, the ALJ directed Newco to provide evidence of its good-faith claim to operate the subject well within 30 days.
10. On February 26, 2020, Newco withdrew its response seeking to challenge Deguello's single signature Form P-4 for the subject lease and well.
11. Newco's Form P-5 is Active-EXT. Newco has a \$50,000.00 cash deposit as its financial assurance.
12. Deguello's Form P-5 is Active-EXT. Deguello has a \$50,000.00 bond as its financial assurance.
13. 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."
14. The subject lease is currently severed, and no production has been reported since February 2020.
15. Newco withdrew its response without providing the Administrative Law Judge any documents or other evidence showing that it holds a "good faith claim" to a continuing right to operate the subject well.
16. Newco does not have a "good faith claim" to operate the subject well.
17. Deguello now asserts a "good faith claim" to a right to operate the subject well. Along with the filing of the single-signature Form P-4, Deguello provided documentation reasonably sufficient to show a factually supported claim to a continuing possessory right in the mineral estate on which the subject well is located based on a recognized legal theory.

18. The AFGRD Unit (03330) Lease, Well No. 41, Alabama Ferry (Glenrose "D") Field, Leon County, Texas, should be transferred to Deguello 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. Newco does not have a "good faith claim" to continue to operate the AFGRD Unit (03330) Lease, Well No. 41, Alabama Ferry (Glenrose "D") Field, Leon County, Texas.
5. Deguello does have a "good faith claim" to operate the AFGRD Unit (03330) Lease, Well No. 41, Alabama Ferry (Glenrose "D") Field, Leon County, Texas.

**IT IS THEREFORE ORDERED** that the application of Deguello Operating 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, Deguello Operating 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 21st day of April, 2020, Austin, Texas.

**Railroad Commission of Texas (Order approved  
and signatures affixed by Hearings Division  
Unprotested Master Order dated April 21, 2020)**