

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. OG-19-00001219

COMPLAINT FILED BY MCGARRAUGH FAMILY FARMS, LTD. THAT M3V ENERGY, LLC (519511) DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE MCGARRAUGH, ESTATE (119375) LEASE, WELL NO. 1, TWITCHELL (CHESTER) FIELD, OCHILTREE COUNTY, TEXAS; DISTRICT 10

FINAL ORDER

The Railroad Commission of Texas (“Commission” or “RRC”) finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, M3V Energy, LLC failed to request a hearing and did not otherwise respond such that this 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. The Commission received a complaint from McGarraugh Family Farms, Ltd. (“Complainant”) alleging M3V Energy, LLC (“M3V”), RRC Operator No. 519511, does not have a good faith claim to operate the McGarraugh, Estate Lease, Lease No. 119375, Well No. 1 (the “Well”) because the lease M3V relies on has terminated.
2. M3V is the current RRC operator of record for the Well and became the RRC operator in November 2017.
3. In a letter dated October 29, 2019, a Commission Administrative Law Judge (“ALJ”) requested in writing that M3V either (1) provide evidence that it holds a “good faith claim” to a continuing right to operate the Well or (2) request a hearing on the matter on or before December 2, 2019. This writing expressly notified M3V that failure to timely request a hearing would constitute waiver of the provided opportunity given to request a hearing. The letter was sent via first-class mail to M3V’s address of record at the Commission as identified in M3V’s most recent filing of the Commission Form P-5 *Organization Report* (“Form P-5”).
4. On November 25, 2019, the Hearings Division received a letter from M3V, along with a printout from the Commission’s website showing M3V’s operator status.
5. Because M3V’s November 25, 2019 filing did not provide evidence of a good faith claim to operate the Well or include a request for hearing, the ALJ sent a follow-up letter to M3V on December 19, 2019. In this letter, the ALJ notified M3V that if it wished to contest the subject complaint, it must request a hearing on or before

January 2, 2020. This writing expressly notified M3V that failure to timely request a hearing would constitute waiver of the provided opportunity given to request a hearing. The letter was sent via first-class mail to M3V's address of record at the Commission as identified in Salt Creek's most recent filing of the Commission Form P-5 *Organization Report* ("Form P-5").

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. M3V failed to provide evidence that it holds a good faith claim, failed to request a hearing and failed to otherwise respond to the ALJ's December 19, 2019 follow-up letter.
8. At least ten days' notice of an opportunity for hearing was given to M3V and Complainant.
9. To support its claim, Complainant submitted a letter stating that the Well is located on its property and has been inactive.
10. There has been no reported production on the Well since July 2016.
11. M3V does not have a good faith claim to operate the Well.
12. Absent a good faith claim to operate, the Well is not eligible for extensions to the plugging requirements in Statewide Rule 14 and 15 as provided for in Statewide Rule 15(e).
13. The Well should be plugged and any plugging extensions relating to it should be revoked.
14. Pursuant to Tex. Gov't Code §§ 2001.056 and 2001.062(e), M3V was provided an opportunity to request a hearing and failed to do so.

CONCLUSIONS OF LAW

1. Proper notice of opportunity for hearing was timely issued to appropriate persons entitled to notice. See, e.g., Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code § 1.42.
2. The Commission has jurisdiction in this case. See, e.g., Tex. Nat. Res. Code § 81.051.

3. M3V does not have a good faith claim, as that term is defined in Statewide Rule 15(a)(5), to continue operating the Well. 16 Tex. Admin. Code § 3.15(a)(5).
4. The Well is not eligible for a plugging extension and the Well should be plugged.

ORDERING PROVISIONS

IT IS THEREFORE ORDERED that M3V does not have a good faith claim to operate the Well, that any plugging extensions for the Well be cancelled, and that a good-faith-claim hold be placed on any P-4 transfers for the subject lease. M3V is **ORDERED** to plug the Well 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 100 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 April 21, 2020 in Austin, Texas.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed by HD
Unprotested Master Order dated April 21, 2020)

JNC/mls