

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. OG-20-00003248

**GOOD FAITH CLAIM REVIEW OF SHEER ENERGY, LLC (OPERATOR NO. 772753)
FOR THE FISHER, CADDIE (07736) LEASE, ALL WELLS, EAST TEXAS FIELD,
GREGG COUNTY, TEXAS; DISTRICT 6E**

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the operator of the captioned leases and wells submitted evidence demonstrating that the operator obtained and now maintains a "good faith claim" to operate the captioned properties. 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. Acirema Corporation ("Acirema") holds Form P-5 *Organization Report* ("Form P-5") Operator No. 003577. Acirema is the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the captioned lease and wells in Gregg County, Texas.
2. On or about April 13, 2020, Sheer Energy, LLC ("Sheer") submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* executed by David M. Chandler, as President of Acirema ("Form P-4"). Included with the Form P-4 was a copy of the following:
 - a. That certain Oil, Gas and Mineral Lease dated February 20, 1931, from Caddie Fisher et al., to Frank R. Foster, as described in an Assignment from Frank R. Foster to East Texas Refining Company, dated February 10, 1931, and recorded at Vol. 70, Pg. 386 of the Deed Records, Gregg County, Texas.
 - b. That certain Deed in Lieu of Foreclosure dated May 20, 2012, from TOGS Energy, Inc. to M-C Production and Drilling Co. Inc. recorded at Page 3 of Document No. 201806525, Official Public Records, Gregg County, Texas;
 - c. That Certain Assignment and Bill of Sale dated January 1, 2018, from M-C Production and Drilling Co. Inc to AC3 Operating, LLC, recorded at Document No. 201801812, Official Public Records, Gregg County, Texas.
 - d. That certain Assignment, Bill of Sale, and Conveyance of Wellbores dated April 7, 2020, from AC3 Operating, LLC, as Assignor, to Sheer, as Assignee, purporting to assign all 70% of the interest of AC3 Operating, LLC, in the unplugged wellbores located on the subject lease.

- e. Table of production reported to the Commission from the Fischer Gas Unit (157355) Well No. 1 from January 2012-January 2020.
3. On or about April 13, 2020, the Enforcement Section of the Railroad Commission of Texas ("Staff") submitted to the Hearings Division a letter requesting a Good Faith Claim Review of the Form P-4 submitted by Sheer for the subject lease.
4. Sheer claims that the subject lease was pooled into the Fischer Gas Unit by designation dated November 3, 1995, and that production therefrom maintains the applicable contractual lease in force and effect.
5. On or about May 14, 2020, the Administrative Law Judge requested in writing that Sheer provide additional information showing that the subject lease was properly pooled into the Fischer Gas Unit.
6. In response, Sheer provided copies of the following:
 - a. Unit Designation for the Fischer Gas Unit dated November 3, 1995, recorded in Vol. 2883, Pg. 427, of the Official Public Records of Gregg County, Texas.
 - b. Amendment to Oil, Gas and Mineral Lease dated January 28, 1960, from Robert E. Jones to Tidewater Oil Company recorded as instrument no. 5892 in the Official Public Records of Gregg, County, Texas.
7. 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)].
8. Sheer provided facts and evidence sufficient to show a continuing possessory right in the mineral estate based upon a recognized legal theory.
9. Sheer's Form P-5 is active. Sheer has a \$50,000 bond as its financial assurance.
10. The subject lease should be transferred to Sheer 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. Sheer does have a "good faith claim" right to operate the subject lease.

IT IS THEREFORE ORDERED that the application of Sheer Energy LLC, for transfer of the subject 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, Sheer, Energy 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 16th day of June, 2020, Austin, Texas.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated June 16, 2020)**