RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL & GAS DOCKET NO. 20-0288564

IN RE: P-5 ORGANIZATION REPORT OF LYON OPERATING COMPANY INC.(III)

FINAL ORDER

The Commission finds that after notice and an opportunity for hearing regarding the captioned matter, the Operator failed to request a hearing and pay the hearing fee as required by 16 TEX. ADMIN. CODE §3.15(g)(4) and TEX. NAT. RES. CODE §89.022(f). This matter 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 fact and conclusions of law.

FINDINGS OF FACT

1. Lyon Operating Company Inc.(III) [Operator #517060] (the "Operator"), is the record operator or one or more inactive wells in the State of Texas and is required to file Organization Report (Form P-5) with the Commission. Operator's most recent P-5 was due on or before December 1, 2013.

2. After filing its most recent Organization Report (Form P-5) with the Commission, the Operator was notified they were deficient and had failed to comply with the requirements of 16 TEX. ADMIN. CODE § 3.15 (Surface Equipment Removal Requirements and Inactive Wells) and provided with a written statement of the reasons for the determination and allowed ninety (90) days from the date its P-5 was due to comply with the requirements of 16 TEX. ADMIN. CODE § 3.15 and TEX. NAT. RES. CODE §§89.021 - 89.030.

3. After the expiration of ninety (90) days and pursuant to 16 TEX. ADMIN CODE §3.15(g)(4), an authorized Commission employee determined that the Operator's Organization Report still could not be renewed because the Operator continued to fail to comply with the requirements of 16 TEX. ADMIN. CODE §3.15 (Surface Equipment Removal Requirements and Inactive Wells).

4. The Commission sent the Operator a letter by certified mail giving notice to the Operator of the determination of continued non-compliance regarding specified inactive wells, attached as Exhibit A to this order, and advising the Operator of the right to request a hearing to show compliance. The letter notified the Operator that the hearing request must be received in docket services no later than 30 days after the date of the letter. The letter also notified the Operator that a final order denying renewal of the Operator's Organization Report (Form P-5) would result in the cancellation of all P-4 Certificates of Compliance and the severance of all pipeline or other carrier connections.

5. All notices and letters from the Commission to the Operator on this matter were addressed and mailed to the Operator's most recently reported address on the Form P-5 Organization Report.

6. The Operator did not timely request a hearing and pay the hearing fee on these issues as required under 16 TEX. ADMIN. CODE §3.15(g)(4) (Surface Equipment Removal Requirements and Inactive Wells).

7. Statewide Rule 15 (16 TEX. ADMIN. CODE §3.15) is a Commission rule that relates to safety or the prevention or control of pollution.

CONCLUSIONS OF LAW

1. The Operator received proper notice and an opportunity for hearing regarding compliance with 16 Tex. Admin. Code §3.15 and Tex. Nat. Res. Code §§89.021 - 89.030.

2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this matter have been performed or have occurred.

3. The Operator is in violation of Commission Statewide Rule 15 and did not timely request a hearing to contest the determination that it was in violation.

4. The Operator's P-5 Organization Report should not be renewed and all of the Operator's P-4 Certificates of Compliance should be cancelled, with all related pipeline or other carrier connections severed. 16 Tex. Admin. Code §3.15 (g)(4) and Tex. Nat. Res. Code §§89.022(f), 91.704 - 91.706.

5. The Operator's P-5 Organization Report cannot be renewed until the operator brings the inactive wells shown on the attached Exhibit A into compliance with the requirements of 16 Tex. Admin. Code §3.15 and Tex. Nat. Res. Code §§89.021 - 89.030.

IT IS ORDERED that renewal of Lyon Operating Company Inc.(III)'s P-5 Organization Report is hereby **DENIED.**

It is further ORDERED that all P-4 Certificates of Compliance issued to Lyon Operating Company Inc.(III) as operator of record are hereby **CANCELLED** and all related pipeline or other carrier connections are hereby **SEVERED**.

It is further ORDERED that Lyon Operating Company Inc.(III) shall bring the wells on Exhibit A into compliance with Statewide Rule 15 (16 TEX. ADMIN. CODE §3.15) and that the Operator's P-5 Organization Report shall not be renewed until the wells on Exhibit A have been brought into compliance as required by this order.

It is further ORDERED that Lyon Operating Company Inc.(III) and each person who held a position of ownership or control in the Operator at the time the Operator's most-recent P-5 Organization Report was filed shall be subject to the terms of TEX. NAT. RES. CODE §91.114.

It is further ORDERED by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. 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 the order.

All requested Findings of Fact and Conclusions of Law which are not expressly adopted herein are **DENIED**. All pending motions and request for relief not previously granted or granted herein are **DENIED.**

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Rule 15 Inactive Well Master Order dated May 6, 2014.)

API Number	District	ID Number	Lease Name	Well Number
077 31074	09	18927	GARNER BROS	6
No approved W-3X on file				
077 31175	09	18118	GARNER BROS.	7
No approved W-3X on file				
077 31331	09	18118	GARNER BROS.	9
No approved W-3X on file				
237 30909	09	11060	WORTHINGTON, L. A., -D-	15
No approved W-3X on file				
237 30910	09	11060	WORTHINGTON, L. A., -D-	14
No approved W-3X on file				
237 32865	09	151495	ZUBER, E.	2
No approved W-3X on file				
237 34920	09	23184	MCDOWELL	1
No approved W-3X on file				
237 82172	09	11060	WORTHINGTON, L. A., -D-	2
No approved W-3X on file				
237 82181	09	11060	WORTHINGTON, L. A., -D-	10
No approved W-3X on file				
237 82197	09	11187	WORTHINGTON, L. A.	2
No approved W-3X on file				
237 82865	09	15100	SCOTT-FISCHL -B-	1
No approved W-3X on file				
337 00686	09	14128	MENEFEE, JAMES A.	1
No approved W-3X on file				
337 01830	09	20295	MENEFEE, JAMES A -A-	1
No approved W-3X on file				
337 31853	09	21933	DUNAWAY-LIGON	1
No approved W-3X on file				
337 31854	09	21933	DUNAWAY-LIGON	2
No approved W-3X on file				
337 82781	09	21933	DUNAWAY-LIGON	3
No approved W-3X on file				
337 82782	09	21933	DUNAWAY-LIGON	4
No approved W-3X on file				
503 35241	09	21607	SEWELL	10
No approved W-3X on file				
503 35242	09	21607	SEWELL	12
No approved W-3X on file				

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Exhibit A

API Number	District	ID Number	Lease Name	Well Number
503 35243	09	103023	SEWELL	11
No approved W-3X on file				

INSUFFICIENT PROGRESS ON 10-YEAR INACTIVE WELLS: For wells shut-in at least 10 years as of September 1, 2010, operators were given five years to address the surface equipment removal requirements. For your Organization Report renewal on DECEMBER 1, 2013 , Rule 15(i) requires that you be at least 60% complete with this process. Current W-3C records indicate that you have not met this requirement (45% of your phase-in wells show that you have completed the surface cleanup). Your Organization Report renewal cannot be approved until you have met this requirement and have filed the appropriate Commission forms to update our records.

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Exhibit A