

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 08-0295428**

**IN THE MARSTON RANCH
(CLEARFORK) FIELD, WARD
COUNTY, TEXAS**

**FINAL ORDER
ADOPTING PERMANENT FIELD RULES
FOR THE MARSTON RANCH (CLEARFORK) FIELD
WARD COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on March 27, 2015, the presiding examiners have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the following field rules shall be adopted for the Marston Ranch (Clearfork) Field, Ward County, Texas and set out in their entirety as follows:

RULE 1: The entire correlative interval from 4,200 feet to 5,067 feet as shown on the Compensated Neutron Formation Density Log of the American Quasar Petroleum, Marston Lease Well No. 1, located in Section 7, Blk B-19 of the PSL Survey, Ward County Texas shall be designated as a single reservoir for proration purposes and be designated as the Marston Ranch (Clearfork) Field.

RULE 2: No well for oil shall hereafter be drilled nearer than **THREE HUNDRED AND THIRTY (330)** feet to any property line, lease line, or subdivision line and no oil well shall be drilled nearer than **SIX HUNDRED AND SIXTY (660)** feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit in the field. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired,

application therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference.

RULE 3: The acreage assigned to the individual oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY(40) acres except as hereinafter provided. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil. No double assignment of acreage will be accepted.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of up to TWENTY (20) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

There is no maximum diagonal limitation in the MARSTON RANCH (CLEARFORK) FIELD. An operator, at his option, shall be permitted to form optional drilling units of TEN (10) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes. For oil and gas wells, operators shall be required to file, along with the Form P-15, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units. Although not required, an operator may file proration plats for individual wells if they so desire.

RULE 4: The maximum daily oil allowable for a well in the subject field shall be determined by the 1965 Yardstick Allowable and the actual allowable for an individual well shall be determined by the sum of the two following values:

- a. NINETY-FIVE percent (95%) of the total field allowable shall be allocated equally among all the individual wells producing from this field, provided this value shall not exceed the potential based on the most recent well test filed with the Commission multiplied by 95%.
- b. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by FIVE

percent (5%), provided this value shall not exceed the potential based on the most recent well test filed with the Commission multiplied by 5%.

Done this 14th day of July 2015.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated July 14, 2015)**

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 09-0296514

IN RE: FORM P-4 TRANSFER OF RECORD OPERATOR FOR THE EASLEY, W.P. (07677) LEASE, WELL NOS. 2, 3, 4A, 5, 5A, 11 AND 12, YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS FROM B & G OIL TO PALADIN OPERATING.

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the prior operator of the captioned lease did not respond and the docket proceeded as a default. 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 Fact and Conclusions of Law.

FINDINGS OF FACT

1. At least ten days notice was given to B & G Oil (Operator No. 040439) and Paladin Operating (Operator No. 635099). By letter dated May 1, 2015, B & G Oil was afforded the opportunity to submit evidence of a continuing right to operate the subject lease and wells or request a hearing on the matter. B & G Oil did neither.
2. By Form P-4 dated April 27, 2015, Paladin Operating requested transfer of the Certificate of Compliance and Transportation Authority for the Easley, W.P. (07677) Lease from B & G Oil to Paladin Operating.
3. By failing to respond to notice and opportunity for hearing, B & G Oil chose to rely on informal disposition of the docket pursuant to Tex. Gov't Code §§2001.056 and 2001.062(e).
4. B & G Oil has a delinquent Form P-5 and tendered financial assurance in the amount of \$25,000 cash for its wells. The Commission collected B & G's financial assurance on October 11, 2013.
5. Paladin Operating has a current, active Form P-5 with sufficient financial assurance to acquire the lease and wells in dispute. Paladin Operating has filed a \$25,000 Letter of Credit with the Commission as financial assurance.
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.”

7. The subject Commission-recognized lease, the Easley, W.P. (07677) Lease, has been inactive for a period of two years and eight months and has not reported production since November, 2012.
8. The current operator, B & G Oil, did not present a “good faith claim” to operate the captioned lease and did not respond to a May 1, 2015 Commission letter requesting that it either provide a good faith claim to operate the subject lease or request a hearing.
 - a.) The President of B & G Oil, Bobby Joe Brown, is deceased, as demonstrated by a Certificate of Death recording his death on March 25, 2013.
 - b.) Pam Ellard is listed on the Certificate of Death as the daughter of Bobby Joe Brown.
 - c.) On the sixth (6th) day of February, 2014, The County Court of Young County granted Pam Ellard and Johnny Kinsey “Letters of Co-Administration with Will Annexed”, designating them as Independent Co-Administrators of the estates of Lavern Brown (deceased) and Bobby J. Brown (deceased).
 - d.) On April 10, 2014, Pam Ellard and Johnny Kinsey, as Co-Administrators of the Estate of Bobby J. Brown, deceased, granted a lease to Paladin Operating.
9. Paladin Operating presented an Oil & Gas Lease as its “good faith claim” to operate the Easley, W.P. (07677) Lease.
 - a.) The lease was granted by Pam Ellard and Johnny Kinsey as Co-Administrators of the Estate of Bobby J. Brown, deceased.
 - b.) The lease is dated April 10, 2014 and has a primary term of three (3) years.

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 have occurred.
3. The current Commission-recognized owner of B & G Oil, Bobby Joe Brown, is deceased.
4. Paladin Operating has a “Good Faith Claim” to operate the subject lease and wells.

IT IS THEREFORE ORDERED that the application of Paladin Operating (Operator No. 635099) for transfer of the Form P-4 "Certificate of Compliance and Transportation Authority" for the Easley, W.P. Lease, Lease ID# 07677, Young County Regular Field , Young County, Texas, is hereby **APPROVED**.

It is further **ORDERED** 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 pending motions and requests for relief not previously granted or granted herein are denied.

Done this 14th day of July, 2015, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division Unprotested Master Order dated
July 14, 2015)**