

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 7B-0296977

IN RE: COMMISSION CALLED HEARING TO PROVIDE MESQUITE LAND & MINERALS CO. AN OPPORTUNITY TO DEMONSTRATE THAT IT HAS A GOOD FAITH CLAIM TO OPERATE THE J. DYER (ID# 19196) LEASE, WELL NOS. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 AND 14, IN THE DEANA FAY (COOK SAND) FIELD, SHACKELFORD COUNTY, TEXAS AND SHOW CAUSE WHY THE WELLS SHOULD NOT BE ORDERED PLUGGED.

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 Mesquite Land & Minerals Co. (Operator No. 561921) ("Mesquite"), Respondent, and Four Points, Inc. ("Four Points"), Complainant. By letter dated June 23, 2015, Mesquite 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. Mesquite did neither.
2. By failing to respond to notice and opportunity for hearing, Mesquite chose to rely on informal disposition of the docket pursuant to Tex. Gov't Code §§2001.056 and 2001.062(e).
3. Mesquite has a current, active Form P-5 with financial assurance in the form of a Letter of Credit for \$50,000 which expires March 3, 2016. Mesquite is the operator of 76 wells, of which 59 are in Statewide Rule 14(b)(2) [16 Tex. Admin. Code §3.14(b)(2)] inactive status.
4. Mesquite became the operator of the J. Dyer (19196) Lease, Well Nos. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 and 14 in the Deana Fay (Cook Sand) Field, Shackelford County, Texas by Form P-4 transfer with an effective date of November 1, 2004 and an approved date of November 8, 2004.

5. The J. Dyer (19196) Lease last produced in November, 2012. There has been no reported production on the lease since that time, a period of 30 months (two years and six months) up to May, 2015.
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. Four Points presented the base contractual lease on the subject oil and gas lease:
 - a.) The base was entered into on June 25, 1993, between Lessor Lester Clark and Lessee Pitchfork Production.
 - b.) The base lease was for a primary term of two years and covered 320 acres, being the W/2 of Section 83, Block 12, T&T Ry. Co. Survey, restricted in depth from the surface to 2,000 feet.
 - c.) Paragraph 4 of the base lease states: "If after the discovery of oil or gas on said lease, if production thereafter should cease for any cause, this lease shall still not terminate as to the unreleased portion of said lease if Lessee commences additional drilling or reworking operations within sixty (60) days thereafter or (if it be within the primary term) has continued the payment or tender of rental on or before the rental paying dates."
 - d.) The base lease is no longer in its primary term. The primary term of the base lease ended June 25, 1995.
8. Mesquite did not present a "good faith claim" to operate the captioned lease and did not respond to a June 23, 2015 Commission letter requesting that it either provide a good faith claim to operate the subject lease or request a hearing.
9. Absent a good faith claim to operate, the subject wells are not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
10. Absent eligibility for an extension to the plugging requirements of Statewide Rule 15(e)(3), the plugging extensions of the subject wells should be cancelled pursuant to Statewide Rule 15(h).
11. The current plugging extension status of the following wells on the J. Dyer (19196) Lease, Deana Fay (Cook Sand) Field, Shackelford County, Texas is "Approved": Well Nos. 1X, 2X, 3, 5, 6, 9, 10, 10A, 12 and 14.

12. The current plugging extension status of the following wells on the J. Dyer (19196) Lease, Deana Fay (Cook Sand) Field, Shackelford County, Texas is "Denied": Well Nos. 4, 8 and 13.
13. The plugging extensions for the J. Dyer (19196) Lease, Well Nos. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 and 14 in the Deana Fay (Cook Sand) Field, Shackelford County, Texas should be cancelled pursuant to Statewide Rule 15(h) and the wells plugged.

CONCLUSIONS OF LAW

1. Proper notice of an opportunity for a hearing was timely issued to appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Mesquite Land & Minerals Co. does not have a "good faith claim" to operate the J. Dyer (19196) Lease, Well Nos. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 and 14 in the Deanna Fay (Cook Sand) Field, Shackelford County, Texas.
4. The J. Dyer (19196) Lease, Well Nos. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 and 14 in the Deanna Fay (Cook Sand) Field, Shackelford County, Texas are not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
5. The plugging extensions for the J. Dyer (19196) Lease, Well Nos. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 and 14 in the Deanna Fay (Cook Sand) Field, Shackelford County, Texas should be cancelled pursuant to Statewide Rule 15(h).

IT IS THEREFORE ORDERED that the plugging extensions for the J. Dyer (19196) Lease, Well Nos. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 and 14 in the Deanna Fay (Cook Sand) Field, Shackelford County, Texas are **CANCELLED**. Mesquite Land & Minerals Co. is hereby **ORDERED** to plug the J. Dyer (19196) Lease, Well Nos. 1X, 2X, 3, 4, 5, 6, 8, 9, 10, 10A, 12, 13 and 14 in the Deanna Fay (Cook Sand) Field, Shackelford County, Texas, pursuant to the requirements of Statewide Rule 14(b)(2).

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 25th day of August, 2015, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division Unprotected Master Order dated
August 25, 2015)**