

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 05-0297332

IN RE: FORM P-4 TRANSFER OF RECORD OPERATOR FOR THE KNOTTS, FLOYD, (01759) LEASE, WELL NO. 1, CORSICANA (SHALLOW) FIELD, NAVARRO COUNTY, TEXAS, FROM INTERGRATED O&G SOLUTIONS CORP. TO MICRO OPERATING, INC.

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 Facts and Conclusions of Law.

FINDINGS OF FACT

1. At least ten days notice was given to Intergrated O&G Solutions Corp. and Micro Operating, Inc.
2. Intergrated O&G Solutions Corp., Operator No. 424839, is the operator of record for the Knotts, Floyd (01759) Lease, Well No. 1, Corsicana (Shallow) Field, Navarro County, Texas.
3. Micro Operating, Inc. holds Operator No. 564631.
4. Micro Operating, Inc. seeks a transfer of the Knotts, Floyd (01759) Lease, Well No. 1, Corsicana (Shallow) Field, Navarro County, Texas, from Intergrated O&G Solutions Corp.
5. On or about August 21, 2015, the Examiner requested in writing that Intergrated O&G Solutions Corp. either (1) provide evidence that it holds a good faith claim to a continuing right to operate the referenced property or (2) request a hearing on the matter on or before September 4, 2015. This writing expressly notified the operator that failure to timely request a hearing would constitute waiver of the opportunity to request a hearing on the matter.
6. Intergrated O&G Solutions Corp. has a delinquent Form P-5 without sufficient financial assurance for its wells.

7. Micro Operating, Inc. has a current Form P-5 with sufficient financial assurance to acquire the lease and wells in dispute.
8. 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.”
9. The subject Commission-recognized lease, the Knotts, Floyd (01759) Lease, has been inactive for a period of four (4) years and has not reported production since August, 2012.
10. Micro Operating, Inc. presented a current oil and gas lease as its “good faith claim.” The current oil and gas lease was executed March 1, 2015, for a two (2) year primary term.
11. Intergrated O&G Solutions Corp. failed to provide evidence that it holds a “good faith claim” to a continuing right to operate the referenced property and also failed to timely request a hearing.
12. Intergrated O&G Solutions Corp. does not hold a “good faith claim” to operate the referenced property.
13. Intergrated O&G Solutions Corp. has waived the opportunity to request a hearing on the matter.
14. Micro Operating, Inc. has demonstrated a “good faith claim” to a continuous right to operate the referenced property.
15. Micro Operating, Inc. submitted a Form P-6 Request for Permission to Subdivide the Knotts, Floyd (01759) Lease, Well No. 1, from the balance of the lease.
 - a. Form P-6 designated the former Knotts, Floyd (01759) Lease, Well No. 1, as the Hamilton-Hill Lease, Well No. 1 (API# 42-34982936).
 - b. Form P-6 committed two (2) acres of the Knotts, Floyd (01759) Lease to the Hamilton-Hill Lease, Well No. 1.
16. The Knotts, Floyd (01759) Lease, Corsicana (Shallow) Field, Navarro County, Texas, should be subdivided to form the Hamilton-Hill Lease and two (2) acres

should be committed from the previous lease to the Hamilton-Hill, Well No. 1 (API# 42-34982936).

17. The Knotts, Floyd (01759) Lease, Well No. 1, Corsicana (Shallow) Field, Navarro County, Texas, should be transferred to Micro Operating, Inc. 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 have occurred.
3. Resolution of this docket is a matter committed to the jurisdiction of the Commission.
4. Intergrated O&G Solutions Corp. does not have a "good faith claim" to continue to operate the subject lease and well.
5. Micro Operating, Inc. does have a "good faith claim" to operate the subject lease and well.

IT IS THEREFORE ORDERED that the application of Micro Operating, Inc. for transfer of the Form P-4 "Certificate of Compliance and Transportation Authority" for the Knotts, Floyd (01759) Lease, Well No. 1, Corsicana (Shallow) Field, Navarro County, Texas, is hereby **APPROVED**.

It is also **ORDERED** that the Form P-6 "Request for Permission to Subdivide or Consolidate Oil Lease" of Micro Operating, Inc. for subdivision of the Knotts, Floyd (01759) Lease, Corsicana (Shallow) Field, Navarro County, Texas, is hereby **APPROVED**.

It is further **ORDERED** that the transfer of the Form P-4 is subject to the provisions of TEX. NAT. RES. CODE § 91.113.

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 90 days from the date Commission Order is signed.

Each exception to the Administrative Law Judge's proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 17th day of November, 2015, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(ORDER APPROVED AND SIGNATURES AFFIXED
BY HEARINGS DIVISION UNPROTESTED MASTER ORDER
DATED NOVEMBER 17, 2015)**