

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 6E-0299476

IN RE: FORM P-4 TRANSFER OF RECORD OPERATOR FOR THE SILER W. H. R/A-A2-(08750) LEASE, WELL NOS. 173, 178, AND 180, EAST TEXAS FIELD, RUSK COUNTY, TEXAS, FROM B & B OIL, INC. TO CARBON FIELD ENERGY, L.L.C.

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 B & B Oil, Inc. and Carbon Field Energy, L.L.C.
2. B & B Oil, Inc., Operator No. 039791, is the operator of record for the Siler W. H. R/A-A2-(08750) Lease, Well Nos. 173, 178, and 180, East Texas Field, located in Rusk County, Texas.
3. Carbon Field Energy, L.L.C. holds Operator No. 130763.
4. On or about January 25, 2016, the Administrative Law Judge requested in writing that B & B Oil, Inc. 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 February 25, 2016. 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.
5. B & B Oil, Inc. has a delinquent Form P-5 without sufficient financial assurance for its wells.
6. Carbon Field Energy, L.L.C. has an active Form P-5 with sufficient financial assurance to acquire the lease and wells in dispute.

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.”
8. The subject Commission-recognized lease, the Siler W. H. R/A-A2-(08750) Lease, Well Nos. 173, 178, and 180, East Texas Field, located in Rusk County, Texas, has been inactive for a period of approximately six (6) years and has not reported production since July 2010.
9. Carbon Field Energy, L.L.C. presented a Memorandum of Oil and Gas Lease dated effective April 8, 2014, and filed of record with the County Clerk of Rusk County, Texas, from the Heirs of the Estate of W. K. Cayton, JPMorgan Chase Bank, N.A., Agent, as Lessor, to PL&M LLC, as Lessee, purporting to cover the subject property, for a one (1) year primary term, as its “good faith claim.”
10. Carbon Field Energy, L.L.C. also presented an Oil, Gas, and Mineral Lease dated April 24, 2014, and filed of record with the County Clerk of Rusk County, Texas, from Evelyn Tillison Mason, as Lessor, to PL&M LLC, as Lessee, purporting to cover the subject property, for a one (1) year primary term, as its “good faith claim.”
 - a. Paragraph 4 of the Lease provides for the payment of shut-in royalty to perpetuate the Lease beyond its primary term.
11. Carbon Field Energy, L.L.C. also presented an Oil, Gas, and Mineral Lease dated April 24, 2014, and filed of record with the County Clerk of Rusk County, Texas, from Ed Marshall Mason, as Lessor, to PL&M LLC, as Lessee, purporting to cover the subject property, for a one (1) year primary term, as its “good faith claim.”
 - a. Paragraph 4 of the Lease provides for the payment of shut-in royalty to perpetuate the Lease beyond its primary term.
12. Carbon Field Energy, L.L.C. also presented an Oil, Gas, and Mineral Lease dated April 24, 2014, and filed of record with the County Clerk of Rusk County, Texas, from James M. Mason, as Lessor, to PL&M LLC, as Lessee, purporting to cover the subject property, for a one (1) year primary term, as its “good faith claim.”
 - a. Paragraph 4 of the Lease provides for the payment of shut-in royalty to perpetuate the Lease beyond its primary term.

13. Carbon Field Energy, L.L.C. also presented a Memorandum of Oil and Gas Lease dated effective June 24, 2014, and filed of record with the County Clerk of Rusk County, Texas, from Bennye B. Siler and wife, Eva Lois Siler, as Lessors, to PL&M LLC, as Lessee, purporting to cover the subject property, for a one (1) year primary term, as its “good faith claim.”
14. Carbon Field Energy, L.L.C. also presented a Memorandum of Oil and Gas Lease dated effective July 28, 2014, and filed of record with the County Clerk of Rusk County, Texas, from Jack Fletcher, as Lessor, to PL&M LLC, as Lessee, purporting to cover the subject property, for a one (1) year primary term, as its “good faith claim.”
15. Carbon Field Energy, L.L.C. also presented a Memorandum of Oil and Gas Lease dated effective July 28, 2014, and filed of record with the County Clerk of Rusk County, Texas, from Joe Bill, as Lessor, to PL&M LLC, as Lessee, purporting to cover the subject property, for a one (1) year primary term, as its “good faith claim.”
16. Carbon Field Energy, L.L.C. also presented an Assignment of Oil and Gas Leases dated effective August 1, 2014, a Memorandum of which is filed of record with the County Clerk of Rusk County, Texas, from PL&M, LLC, as Assignor, to Carbon Field Energy, L.L.C., as Assignee, assigning its interest in and to the above-described Leases, as its “good faith claim.”
17. B & B Oil, Inc. 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.
18. B & B Oil, Inc. does not hold a “good faith claim” to operate the referenced property.
19. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), B & B Oil, Inc. and Carbon Field Energy, L.L.C. have waived the opportunity to request a hearing on the matter.
20. Carbon Field Energy, L.L.C. has demonstrated a “good faith claim” to a continuous right to operate the referenced property.
21. The Siler W. H. R/A-A2-(08750) Lease, Well Nos. 173, 178, and 180, East Texas Field, located in Rusk County, Texas, should be transferred to Carbon Field Energy, L.L.C. 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. TEX. GOV'T CODE §§ 81.051.
4. B & B Oil, Inc. does not have a "good faith claim" to continue to operate the subject lease and well.
5. Carbon Field Energy, L.L.C. does have a "good faith claim" to operate the subject lease and well.

IT IS THEREFORE ORDERED that the application of Carbon Field Energy, L.L.C. for transfer of the Form P-4 "Certificate of Compliance and Transportation Authority" for the Siler W. H. R/A-A2-(08750) Lease, Well Nos. 173, 178, and 180, East Texas Field, located in Rusk County, Texas, is hereby **APPROVED**, subject to the provisions of TEX. NAT. RES. CODE §§ 91.107, 91.114, 91.142 and TEX. ADMIN. CODE § 3.15.

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.

All pending motions and requests for relief not previously granted or granted herein are denied.

OIL AND GAS DOCKET NO. 6E-0299476

Done this 29th March, 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(ORDER APPROVED AND SIGNATURES AFFIXED
BY HEARINGS DIVISION UNPROTESTED MASTER ORDER
DATED MARCH 29, 2016)**