

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 7B-0298625

SINGLE SIGNATURE P-4 FILING OF BORDERLINE OPERATING CORP. (OP. NO. 082999) FOR THE POPP (ID#225115) LEASE, WELL NO. 6, STAWN, N. (BEND CONGL) FIELD, PALO PINTO COUNTY, TEXAS FROM PUREX ENERGY, LLC (OP. NO. 683054) TO BORDERLINE OPERATING CORP.

SINGLE SIGNATURE P-4 FILING OF BORDERLINE OPERATING CORP. (OP. NO. 082999) FOR THE POPP (ID# 29941) LEASE, ALL WELLS, POSIDIAN (ELLEN.) FIELD, PALO PINTO COUNTY, TEXAS FROM PUREX ENERGY, LLC (OP. NO. 683054) TO BORDERLINE OPERATING CORP.

SINGLE SIGNATURE P-4 FILING OF BORDERLINE OPERATING CORP. (OP. NO. 082999) FOR THE POPP (ID#29818) LEASE, ALL WELLS, POSIDIAN (ELLEN.) FIELD, PALO PINTO COUNTY, TEXAS FROM PUREX ENERGY, LLC (OP. NO. 683054) TO BOREDERLINE OPERATING CORP.

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 Purex Energy, LLC (Operator No. 683054) and Borderline Operating Corp. (Operator No. 082999). By letter dated February 11, 2016, Purex Energy, LLC ("Purex") was afforded the opportunity to submit evidence of a continuing right to operate the subject leases and wells or request a hearing on the matter. Purex did neither.
2. By Form P-4 dated September 10, 2015, Borderline Operating Corp. ("Borderline") requested transfer of the Certificate of Compliance and Transportation Authority for the Popp (ID# 225115) Lease, Well No. 6, Strawn, N. (Bend Congl.) Field, Palo Pinto County, Texas, from Purex to Borderline.

3. By Form P-4 dated September 10, 2015, Borderline Operating Corp. (“Borderline”) requested transfer of the Certificate of Compliance and Transportation Authority for the Popp (ID# 29941) Lease, all wells, Posidian (Ellen.) Field, Palo Pinto County, Texas, from Purex to Borderline.
4. By Form P-4 dated September 10, 2015, Borderline Operating Corp. (“Borderline”) requested transfer of the Certificate of Compliance and Transportation Authority for the Popp (ID# 29818) Lease, all wells, Posidian (Ellen.) Field, Palo Pinto County, Texas, from Purex to Borderline.
5. By failing to respond to notice and opportunity for hearing, Purex chose to rely on informal disposition of the docket pursuant to Tex. Gov’t Code §§2001.056 and 2001.062(e).
6. Purex has a delinquent Form P-5 and is subject to the restrictions of Texas Natural Resources Code §91.114. Purex had tendered financial assurance in the amount of a \$25,000 Cash Deposit for its wells. The Cash Deposit expired October 31, 2012.
7. Borderline has a current, active Form P-5 with sufficient financial assurance to acquire the lease and wells in dispute. Borderline has filed a \$250,000 Letter of Credit with the Commission as financial assurance, which will expire on May 29, 2016.
8. The subject Commission-recognized lease, the Popp (ID# 225115) Lease, Well No. 6, last reported production in May, 2012, and has not reported production since.
9. The subject Commission-recognized lease, the Popp (ID# 29941) Lease, last reported production in March 2013, and has not reported production since.
10. The subject Commission-recognized lease, the Popp (ID# 29818) Lease, last reported production in December, 2012, and has not reported production since.
11. 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.”
12. The current operator, Purex, did not present a “good faith claim” to operate the captioned lease and did not respond to a February 11, 2016 Commission letter requesting that it either provide a good faith claim to operate the subject lease or request a hearing.
13. Borderline presented 36 leases as its good faith claim to operate the applied-for leases and wells. The leases were all signed in March, 2015, or one or two months on either side of March, 2015. The leases have a two (2) year primary term.

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 operator, Purex Energy, LLC (Op. No. 683054), of the subject lease has a delinquent Form P-5 Organization Report and is not an active operator in the State of Texas.
4. Purex Energy, LLC did not contest the P-4 transfer of the subject leases and wells.
5. Borderline Operating Corp. (Op. No. 082999) has demonstrated a “Good Faith Claim” to operate the subject lease and wells.

IT IS THEREFORE ORDERED that the application of Borderline Operating Corp. (Operator No. 082999) for transfer of the Form P-4 “Certificate of Compliance and Transportation Authority” for the Popp (ID# 225115) Lease, Well No. 6, Strawn, N. (Bend Congl.) Field; the Popp (ID# 29941) Lease, all wells, Posidian (Ellen.) Field; and the Popp (ID# 29818) Lease, all wells, Posidian (Ellen.) Field, Palo Pinto County, Texas, is hereby **APPROVED**.

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 the Commission Order is signed.

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

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

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
HD Unprotested Master Order dated
March 29, 2016)**