

**OIL AND GAS DOCKET NO. 7B-0300148**

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**IN RE: COMMISSION CALLED HEARING TO PROVIDE KATSCO ENERGY, INC. (OPERATOR NO. 451645) AN OPPORTUNITY TO DEMONSTRATE THAT IT HAS A GOOD FAITH CLAIM TO OPERATE THE TXL "A" (28058) LEASE, WELL NO. 2, LAKE TRAMMEL, S. (CANYON) FIELD, NOLAN COUNTY, TEXAS, AND TO SHOW CAUSE WHY THE WELL SHOULD NOT BE ORDERED PLUGGED**

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**FINAL ORDER**

The Commission finds that, Respondent, Katsco Energy, Inc., did not request a hearing on the matter, but rather chose to submit evidence of its "good faith claim" directly to the Hearings Division pursuant to TEX. GOV'T. CODE §§2001.056 and 2001.062(e). 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 FACTS**

1. Katsco Energy, Inc. ("Katsco") holds Operator No. 451645.
2. Katsco is the P-4 Record Operator of the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, located in Nolan County, Texas.
3. On March 28, 2016, Complainant Dale Monroe ("Complainant") submitted to the Commission a letter of complaint alleging that Katsco lacks authority to operate the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, located in Nolan County, Texas.
4. On March 28, 2016, Complainant submitted to the Commission a letter of complaint alleging that Complainant is the surface owner of the property where the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, is located.
5. At least ten days notice was given to Katsco and Complainant. By letter dated April 11, 2016, Katsco was afforded the opportunity to submit evidence of a continuing right to operate the subject lease and well or request a hearing on the matter.
6. By letter dated May 4, 2016, Katsco filed its response to the Commission April 11, 2016, letter. In its response, Katsco stated that the subject well has been inactive since March 2014 and that the lease has expired.
7. By failing to request a hearing on the merits, Katsco chose to rely on informal disposition of the Docket pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e).

8. Katsco has a current, active Form P-5 with financial assurance in the form of a \$50,000.00 bond, which expires on April 30, 2017. Katsco is the operator of 69 wells, of which 13 are in Statewide Rule 14(b)(2) [16 TEX. ADMIN. CODE § 3.14(b)(2)] inactive status.
9. Katsco became the operator of the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, by Form P-4 transfer with an effective date of May 1, 2002, and an approved date of May 8, 2002.
10. The TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, had zero (0) reported production from September 2015 through February 2016. The last reported production from the lease was August 2015.
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." [16 TEX. ADMIN. CODE § 3.15(a)(5)].
12. Katsco did not present a "good faith claim" to operate the captioned lease.
13. Absent a "good faith claim" to operate, the subject well is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
14. Absent eligibility for an extension to the plugging requirements of Statewide Rule 15(e)(3), the plugging extension of the subject well should be cancelled pursuant to Statewide Rule 15(h).
15. The current plugging extension status of TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, is "Approved", per online Commission records.
16. The plugging extension for the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan 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. Katsco does not have a "good faith claim" to operate the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas.

4. The TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
5. The plugging extension for the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

**IT IS THEREFORE ORDERED** that the plugging extension for the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, is **CANCELLED**. Katsco Energy, Inc. is hereby **ORDERED** to plug the TXL "A" (28058) Lease, Well No. 2, Lake Trammel, S. (Canyon) Field, Nolan County, Texas, pursuant to the requirements of Statewide Rule 14(b)(2).

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.

Done this 9<sup>th</sup> day of August, 2016, in Austin, Texas.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed  
by Hearings Division Unprotested Master  
Order dated August 9, 2016)**