

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0301014

IN RE: TRANSFER OF RECORD OPERATOR FOR THE MARTIN, BOBBY T. (04001) LEASE, PARMER (PALUXY) FIELD, VAL VERDE COUNTY, TEXAS, FROM D & A CO. TO SED ENERGY 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 D & A Co. (Operator No. 195855) and SED Energy Inc. (Operator No. 649300).
2. D & A Co. is the operator of record for the Martin, Bobby T. (04001) Lease, Parmer (Paluxy) Field, located in Val Verde County, Texas.
3. On or about July 6, 2016, SED Energy Inc. submitted to the Commission a Form P-4 *Certificate of Compliance and Transportation Authority* requesting transfer of the Martin, Bobby T. (04001) Lease, Parmer (Paluxy) Field, Val Verde County, Texas, from D & A Co. to SED Energy Inc., as operator of record.
4. On or about July 12, 2016, the Administrative Law Judge requested in writing that D & A Co. 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 August 11, 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. D & A Co. has a delinquent Form P-5, and does not have sufficient financial assurance for its wells.

6. SED Energy Inc. has an active Form P-5 with sufficient financial assurance to acquire the lease and well 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 Martin, Bobby T. (04001) Lease, Parmer (Paluxy) Field, has not reported production since January 1993.
9. SED Energy Inc. presented a current oil and gas lease as its “good faith claim” to operate the subject property. The current oil and gas lease purports to cover the subject property and was executed on November 4, 2014, for a three (3) year primary term.
10. D & A Co. failed to reply to the Administrative Law Judge’s letter dated July 12, 2016, with any documents that it holds a “good faith claim” to a continuing right to operate the referenced property and also failed to timely request a hearing.
11. D & A Co. does not hold a “good faith claim” to operate the referenced property.
12. Pursuant to TEX. GOV’T CODE §§ 2001.056 and 2001.062(e), D & A Co. and SED Energy Inc. have waived the opportunity to request a hearing on the matter.
13. SED Energy Inc. has demonstrated a “good faith claim” to a continuous right to operate the referenced property.
14. The Martin, Bobby T. (04001) Lease, Parmer (Paluxy) Field, located in Val Verde County, Texas, should be transferred to SED Energy 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. TEX. GOV’T CODE §§ 81.051.

4. D & A Co. does not have a "good faith claim" to continue to operate the subject lease and well.
5. SED Energy Inc. does have a "good faith claim" to operate the subject lease and well.

IT IS THEREFORE ORDERED that the application of SED Energy Inc. for transfer of the Form P-4 "Certificate of Compliance and Transportation Authority" for the Martin, Bobby T. (04001) Lease, Parmer (Paluxy) Field, located in Val Verde 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.

Done this September 13, 2016, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(ORDER APPROVED AND SIGNATURES AFFIXED
BY HEARINGS DIVISION UNPROTESTED MASTER ORDER
DATED SEPTEMBER 12, 2016)**