

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL & GAS DOCKET NO. 02-0309659**

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**COMPLAINT BY CRYSTAL MATULICH THAT SALT CREEK PRODUCTION, INC. (744277) DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE SMITH, M.E. (GAS ID NO. 188222) LEASE, WELL NO. 1, FREEMAN (PETTUS 4600) FIELD, LIVE OAK COUNTY, TEXAS**

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**FINAL ORDER**

The Railroad Commission of Texas (“Commission” or “RRC”) finds that after statutory notice and an opportunity for hearing regarding the captioned proceeding, Salt Creek Production, Inc. failed to request a hearing and did not otherwise respond such that this case can proceed as a default. This proceeding having duly been submitted to the Commission at a conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. The Commission received a complaint from Crystal Matulich (“Complainant”) alleging Salt Creek Production, Inc. (“Salt Creek”), RRC Operator No. 744277, does not have a good faith claim to operate the Smith, M.E. Lease, Lease No. 188222, Well No. 1 (the “Well”) because the lease Salt Creek relies on has terminated.
2. Complainant owns mineral rights where the Wells are located.
3. Salt Creek is the current RRC operator of record for the Well and became the RRC operator in March 2016.
4. In a letter dated March 20, 2018, a Commission Administrative Law Judge (“ALJ”) requested in writing that Salt Creek either (1) provide evidence that it holds a “good faith claim” to a continuing right to operate the Well or (2) request a hearing on the matter on or before April 20, 2018. This writing expressly notified Salt Creek that failure to timely request a hearing would constitute waiver of the provided opportunity given to request a hearing. The letter was sent via first-class mail to Salt Creek’s address of record at the Commission as identified in Salt Creek’s most recent filing of the Commission Form P-5 *Organization Report* (“Form P-5”).
5. 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).

6. Salt Creek failed to provide evidence that it holds a good faith claim to a continuing right to operate the Well, failed to request a hearing and failed to otherwise respond to the ALJ's March 20, 2018 letter.
7. At least ten days' notice of an opportunity for hearing was given to Salt Creek and Complainant.
8. To support her claim, Complainant submitted a letter stating that the Well had been appears to be abandoned and a 1997 contractual lease with a primary term of three years and thereafter so long as there is production of hydrocarbons.
9. There has been no reported production on the Well since at least October 2016.
10. Salt Creek does not have a good faith claim to operate the Well.
11. Absent a good faith claim to operate, the Well is not eligible for extensions to the plugging requirements in Statewide Rule 14 and 15 as provided for in Statewide Rule 15(e).
12. The Well should be plugged and any plugging extensions relating to it should be revoked.
13. Pursuant to TEX. GOV'T CODE §§ 2001.056 and 2001.062(e), Salt Creek was provided an opportunity to request a hearing and failed to do so.

### **CONCLUSIONS OF LAW**

1. Proper notice of opportunity for hearing was timely issued to appropriate persons entitled to notice. *See, e.g.*, TEX. GOV'T CODE § 2001.051; 16 TEX. ADMIN. CODE § 1.42.
2. The Commission has jurisdiction in this case. *See, e.g.*, TEX. NAT. RES. CODE § 81.051.
3. Salt Creek does not have a good faith claim, as that term is defined in Statewide Rule 15(a)(5), to continue operating the Well. 16 TEX. ADMIN. CODE § 3.15(a)(5).
4. The Well is not eligible for a plugging extension and the Well should be plugged.

### **ORDERING PROVISIONS**

**IT IS THEREFORE ORDERED** that Salt Creek is not eligible for plugging extensions for the Well. Salt Creek is hereby **ORDERED**, within 30 days from the date

this order becomes final, to plug the Well and place the subject lease in compliance with Statewide Rules 8, 14 and 15, and any other applicable Commission rules.

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 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 100 days from the date the parties are notified of this order in accordance with TEX. GOV'T CODE § 2001.144.

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

Done this 22<sup>nd</sup> day of May 2018 in Austin, Texas.

**RAILROAD COMMISSION OF TEXAS**  
(Order approved and signatures affixed by HD  
Unprotested Master Order dated May 22, 2018)

JNC/mls