

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 02-0308099

COMPLAINT BY THE TEXAS GENERAL LAND OFFICE THAT GULF ENERGY EXPLORATION CORP. (OPERATOR NO. 338104) DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE STATE TRACT 720-S (RRC GAS ID NO. 149096), WELL NO. 2-U, SHERMAN OFFSHORE, W. (1700 MIO.) FIELD, MATAGORDA IS-SB COUNTY, TEXAS

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the operator of the captioned lease failed to respond with evidence purporting to demonstrate that the operator maintains a "good faith claim" to operator the captioned lease. 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.

FINDING OF FACT

1. Gulf Energy Exploration Corp. ("Gulf Energy") hold Form P-5 *Organization Report* Operator No. 338104. Gulf Energy is the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas.
2. On or about November 30, 2017, the Texas General Land Office submitted to the Commission a complaint letter alleging that Gulf Energy lacks authority to operate the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas.
3. On or about December 21, 2017, the Administrative Law Judge requested in writing that Gulf Energy 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 January 20, 2018. 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.
4. Gulf Energy failed to submit any evidence for a good faith claim or to request a hearing.
5. Gulf Energy's Form P-5 is delinquent. Gulf Energy had a \$125,000.00 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.

6. Gulf Energy became the Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas, by filing a Form P-4 dated effective June 16, 2008. The lease has no reported production since June 2013.
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." [16 TEX. ADMIN. CODE § 3.15(A)(5)].
8. Gulf Energy failed to file any evidence to demonstrate Gulf Energy's "good faith claim" to a continuing right to operate the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas. Therefore, Gulf Energy does not have a "good faith claim" to operate the subject lease.
9. Absent a "good faith claim" to operate, the subject lease is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
10. Absent eligibility for an extension to the plugging requirements of Statewide Rule 15(e)(3), any plugging extensions of the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

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 has occurred.
3. Gulf Energy does not have a "good faith claim" to operate the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas.
4. The State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas is not eligible for an extension to the plugging requirements of Statewide Rule 15(e)(3).
5. Any plugging extensions for the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

THEREFORE, THE RAILROAD COMMISSION OF TEXAS HEREBY FINDS that Gulf Energy Exploration Corp. (Operator No. 338104) does not have a "good faith claim" to operate the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas, and **HEREBY ORDERS** that any plugging extensions for the State Tract 720-S (RRC Gas ID No. 149096), Well

No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas, be cancelled and that Gulf Energy Exploration Corp. shall plug and abandon the well on the State Tract 720-S (RRC Gas ID No. 149096), Well No. 2-U, Sherman Offshore, W. (1700 Mio.) Field, Matagorda IS-SB County, Texas, in accordance with Statewide Rule 14.

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 100 days from the date Commission Order is signed. All pending motions and requests for relief not previously or herein granted are denied.

Done this 13th day of February 2018, Austin, Texas.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated February 13, 2018)**