

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 03-0308080

COMPLAINT BY TEXAS GENERAL LAND OFFICE THAT TR OFFSHORE, LLC (OPERATOR NO. 863725) DOES NOT HAVE A GOOD FAITH CLAIM TO OPERATE THE STATE TRACT 520-L, NE/4 (GAS ID NO. 127042) LEASE, WELL NO. 2, EL GORDO (MIOCENE) FIELD, MATAGORDA IS-LB COUNTY, TEXAS

FINAL ORDER

On this day, the above-entitled and numbered docket came on for consideration by the Railroad Commission of Texas. Texas General Land Office ("Complainant") and TR Offshore, LLC ("Respondent"), following notice and a hearing, have agreed to disposition of the matters under this docket. 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. TR Offshore, LLC ("TR Offshore") holds Form P-5 *Organization Report* Operator No. 863725. TR Offshore is the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the State Tract 520-L, NE/4 (Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas.
2. On or about November 28, 2017, Texas General Land Office submitted to the Commission a complaint letter alleging that TR Offshore lacks authority to operate the State Tract 520-L, NE/4 (Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas.
3. On or about December 21, 2017, the Administrative Law Judge requested in writing that TR Offshore 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. TR Offshore filed a timely response, in which it requested a hearing, but that it be set out in the future to allow TR Offshore the opportunity to nominate and bid on the lease. The Texas General Land Office was in agreement. TR Offshore failed to nominate and bid on the lease at the next available sale.
5. On March 12, 2019, a Notice of Hearing was sent to the parties for a hearing date of April 29, 2019.

6. On April 29, 2019, TR Offshore and Texas General Land Office appeared at the hearing.
7. TR Offshore's Form P-5 is active. TR Offshore has a \$1,750,000.00 cash deposit as its financial assurance.
8. TR Offshore became the Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas, by filing a Form P-4 dated effective February 1, 2014. The lease has no reported production since November 1993.
9. 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)].
10. TR Offshore stated on the record that it did not contest Texas General Land Office's contention that it does not have a "good faith claim" to a continuing right to operate the State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas. Thus, TR Offshore does not have a "good faith claim" to operate the subject lease.
11. TR Offshore and Texas General Land Office have agreed that TR Offshore shall plug and abandon the well in accordance with Statewide Rule 14 by or before November 1, 2019.
12. TR Offshore agreed that a "good faith claim" hold shall be placed on the lease.
13. Absent a "good faith claim" to operate, the subject lease is not eligible for an extension to the plugging requirements of Statewide Rule 15(b).
14. Absent eligibility for an extension to the plugging requirements of Statewide Rule 15(b), any plugging extensions of the State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB 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 have occurred.
3. TR Offshore does not have a "good faith claim" to operate the State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas.

4. The State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB 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 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas, should be cancelled pursuant to Statewide Rule 15(h).

THEREFORE, THE RAILROAD COMMISSION OF TEXAS HEREBY FINDS that TR Offshore, LLC (Operator No. 863725) does not have a "good faith claim" to operate the State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas, and **HEREBY ORDERS** that any plugging extensions for the State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas, be cancelled, that a good-faith-claim hold be placed on any P-4 transfers for such wells, and that TR Offshore, LLC shall plug and abandon the well on the State Tract 520-L, NE/4 (RRC Gas ID No. 127042) Lease, Well No. 2, El Gordo (Miocene) Field, Matagorda IS-LB County, Texas, in accordance with Statewide Rule 14 by or before November 1, 2019.

Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and by agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and this Final Dismissal is final and effective on the date it is signed.**

Signed May 21, 2019.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated May 21, 2019)**