

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 04-0320200

**GOOD FAITH CLAIM REVIEW OF REO OPERATING LLC (OPERATOR NO. 701876)
FOR THE LEAL, PEDRO (08106) LEASE, WELL NO. 1, SANTO NINO, NW. (QUEEN
CITY) FIELD, WEBB COUNTY, TEXAS**

FINAL ORDER

The Commission finds that after notice and opportunity for hearing, the applicant operator of the captioned lease and well submitted evidence demonstrating that the operator obtained and now maintains a "good faith claim" to operate the captioned property. 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. Tristar Oil & Gas ("Tristar") holds Form P-5 *Organization Report* Operator No. 871133. Tristar's Form P-5 is active-ext. Tristar has a \$50,000.00 letter of credit as its financial assurance.
2. Tristar became the Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the Leal, Pedro (08106) Lease, Well No.1, Santo Nino, NW. (Queen City) Field, Webb County, Texas, by filing a Form P-4 dated effective November 30, 2005. The lease has no reported production since December 2018.
3. Tristar is the current Form P-4 *Certificate of Compliance and Transportation Authority* operator of record for the Leal, Pedro (08106) Lease, Well No. 1, Santo Nino, NW. (Queen City) Field, Webb County, Texas. There is an RRC hold preventing a transfer of the subject lease and well due to pollution.
4. On or about May 14, 2019, the Enforcement Section of the Railroad Commission of Texas ("Enforcement Section") submitted to the Hearings Division a letter requesting a Good Faith Claim Review of a Form P-4 for the Leal, Pedro (08106) Lease, Well No. 1, Santo Nino, NW. (Queen City) Field, Webb County, Texas, executed by Roland Baker, as "Filing Agent" for Tristar, and as manager for the applicant operator Reo Operating LLC ("Reo").
5. On or about May 20, 2019, the Administrative Law Judge demanded in writing that Reo either: (1) provide evidence that it held a good faith claim to a continuing right to operate the referenced property; or (2) request a hearing on the matter on or before June 19, 2019. 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.

6. 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)].
7. On or about June 14, 2019, Reo provided the following as evidence that it holds a good faith claim to operate the referenced property:
 - a. Contract Operating Agreement dated effective April 2, 2019, by and between Reo and Tristar ("Agreement"); and
 - b. Oil, Gas, and Sulfur Lease dated May 2, 1969, by and between Felicitas B. de Leal et al, as Lessor, and Ralph Rowden, as Lessee ("Lease")
8. The legal description set forth in the Lease includes the location of the subject well.
9. The Agreement describes the Lease as being recorded in Volume 382, page 251, Official Public Records, Webb County, Texas.
10. In the Agreement, Reo is designated as the contract operator for Tristar and is entitled to make all filings with the Commission and obtain all licenses and permits related to the operation of the Leal, Pedro (08106) Lease, Well No. 1, Santo Nino, NW. (Queen City) Field, Webb County, Texas.
11. Roland Baker is listed with the Commission as the filing agent for Tristar Oil.
12. Reo's Form P-5 is active-ext. Reo has a \$50,000.00 bond as its financial assurance.
13. The Leal, Pedro (08106) Lease, Well No.1, Santo Nino, NW. (Queen City) Field, Webb County, Texas, should be transferred to Reo as operator of record.

CONCLUSIONS OF LAW

1. Proper notice was timely issued to appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Reo Operating LLC has a "good faith claim" to operate the Leal, Pedro (08106) Lease, Well No.1, Santo Nino, NW. (Queen City) Field, Webb County, Texas.
4. The Leal, Pedro (08106) Lease, Well No.1, Santo Nino, NW. (Queen City) Field, Webb County, Texas, should be transferred to Reo Operating LLC as operator of record.

IT IS THEREFORE ORDERED that the application of Reo Operating LLC for transfer of the Form P-4 *Certificate of Compliance and Transportation Authority* is hereby **APPROVED**, subject to the provisions of TEX. NAT. RES. CODE §§ 91.1041, 91.1042, 91.107, 91.114, 91.142 and TEX. ADMIN. CODE § 3.15, 3.58, and 3.78. If after 90 days after the order becomes final, Reo Operating LLC has not met the requirements of the listed provisions, this Order shall be **VOID** and the subject Form P-4 shall be marked as *Unable to Process* and archived.

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 11th day of September 2019, Austin, Texas.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Uncontested Master Order dated September 11,
2019)**