

BEFORE THE OIL AND GAS BOARD OF REVIEW  
STATE OF OHIO

VICTOR PETROLEUM CORPORATION,  
Appellant,

vs.

Appeal No. 63

ANDRES G. SKALKOS, CHIEF  
Division of Oil and Gas,

Appellee.

ENTRY AND ORDER

This case came on for hearing, pursuant to notice, before the Oil and Gas Board of Review on June 9, 1983. Both parties were represented by counsel, and testimony and evidence were presented by Appellant. The appeal at issue is from Order No. 83-14, dated February 22, 1983, issued by the Appellee. The Appellant is appealing the Appellee's order to either plug or produce a well known as the No. 7 Cole-Kaesgen within thirty days after receipt of the order.

FACTS

The well at issue is the No. 7 Cole-Kaesgen well (Permit No. 3583) located in Section 2, Killbuck Township, Holmes County, Ohio. The drilling permit for the No. 7 Cole-Kaesgen well was granted to Appellant as the owner on November 24, 1981. Appellant caused the No. 7 Cole-Kaesgen well to be drilled pursuant to a contract with Rimco, Inc. After the completion of drilling, Rimco apparently indicated that it did not desire to have the No. 7 Cole-Kaesgen well completed. At the present time, the No. 7 Cole-Kaesgen well has not been completed and is not capable of production.

On or about May 10, 1982, Victor Petroleum Corporation assigned the working interest in the Cole-Kaesgen well to Rimco, Inc. The assignment from Victor to Rimco is recorded in Volume 92, Page 539, of the Lease Records of the Recorder of Holmes County, Ohio. Appellant has requested

Rimco, Inc., to execute a change of ownership/operation form to be filed with the State of Ohio, Division of Oil and Gas, but Rimco has apparently refused to sign such a form.

The Appellee has also filed a Motion to Dismiss in this matter.

#### QUESTION PRESENTED

The question presented by this case is whether or not a person who is granted a drilling permit by the Division of Oil and Gas remains responsible for plugging or producing, pursuant to an Order by the Division of Oil and Gas, where there has been an assignment of the working interest to another person and no change of owner/operator has been filed with the Division.

#### LAW

Section 1509.31 of the Revised Code provides, in relevant part:

The owner holding a permit under section 1509.05 of the Revised Code is responsible for all obligations and liabilities imposed by Chapter 1509. of the Revised Code and any rules or orders issued thereunder, and no assignment or transfer by the owner relieves the owner of the obligations and liabilities until and unless the assignee or transferee files with the division of oil and gas the information described in divisions (A), (B), (C), (D), (E), (H), (K), (L), (M), and (N) of section 1509.06 of the Revised Code and executes and files a surety bond, negotiable certificates of deposit, or cash, as described in section 1509.07 of the Revised Code.

The language set forth above was added to Section 1509.31 of the Ohio Revised Code in 1980 by Amended Substitute House Bill No. 264. The intent of this new language is clear: The person to whom a drilling permit is issued remains liable for the obligations imposed until another person, acceptable to the Division, files with the Division. The mere transfer of the working interest by a permit holder (owner) to another person does not relieve the original permit holder of its obligations until a change of

ownership/operation form has been filed with the Division and the transferee has been accepted by the Division as the new owner/operator.

CONCLUSION

Under the facts of this case, it is clear that Victor finds itself in the unfortunate position of having transferred the working interest to Rimco without having Rimco file as the new operator with the Division of Oil and Gas. Until Rimco, or someone else, files with the Division of Oil and Gas as the owner/operator of the No. 7 Cole-Kaesgen well, Victor Petroleum Corporation remains liable for plugging or producing the well pursuant to the Chief's order.

Therefore, this Board affirms the final order of the Chief which requires Appellant to plug or produce the No. 7 Cole-Kaesgen well within thirty days.

ORDER

THEREFORE, it is ORDERED that the Final Order No. 83-14 of the Appellee be and the same hereby is affirmed.

Dated this 20<sup>th</sup> day of ~~August~~<sup>Sept</sup>, 1983.

James J. Morgan / Chairman  
James J. Morgan, Chairman

Robert H. Alexander /  
Robert H. Alexander

Alan H. Coogan /  
Alan H. Coogan

Lance W. Schneier /  
Lance W. Schneier

George M. Hauswirth / Secretary  
George M. Hauswirth, Secretary