

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0269441

**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY VAN JETER RILEY,
SOLE PROPRIETOR, EVARADO OIL COMPANY (256445) AS TO THE LOVING SOUTH (27616)
LEASE, WELL NO. 12, STEPHENS COUNTY REGULAR FIELD, STEPHENS COUNTY, TEXAS**

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on July 10, 2014, and that the respondent, Van Jeter Riley, Sole Proprietor, Evarado Oil Company (256445), failed to appear or respond to the Notice of Opportunity for Hearing. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Van Jeter Riley, Sole Proprietor, Evarado Oil Company (256445), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was returned to the Commission.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was returned to the Commission marked "unclaimed" on June 13, 2014. The certified receipt is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On October 9, 2009, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its sole proprietor consisted of the following individual(s): Van Jeter Riley.
4. Van Jeter Riley, as sole proprietor, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

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5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
6. Respondent designated itself to the Commission as the operator of Well No. 12 on the Loving South (27616) Lease ("subject well"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on December 1, 2009.
7. Respondent's P-5 (Organization Report) became delinquent on September 1, 2010. Respondent had a \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Commission District inspections were conducted on June 15, 2010, July 15, 2010 and August 11, 2010 for the Loving South (27616) Lease. The signs or identification required to be posted at the lease entrance and at the well site were missing.
9. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
10. A Commission District inspection was conducted on June 15, 2010 for Well No. 12 on the Loving South (27616) Lease. The 2" valves on both the casing and the tubing were frozen and would not open safely.
11. Well No. 12 on the Loving South (27616) Lease was permitted as a saltwater disposal well on June 8, 1989 (Permit No. 12176). Commission records indicate that Respondent has failed to annually report the results of its monitoring of the Loving South (27616) Lease, Well No. 12. According to Commission records the last annual injection well monitoring report was filed with the Commission for the period of June 2008 to May 2009.
12. Commission records reflect that the Respondent was scheduled to perform the five year mechanical integrity (pressure) test on the Loving South (27616) Lease, Well No. 12, by April 30, 2010. Respondent failed to conduct the required test and report the test results on the Commission Form H-5. Prior to the plugging of Well No. 12, using State Funds, the last mechanical integrity test was conducted on January 29, 2005.
13. The Respondent did not demonstrate good faith since it failed to timely plug or otherwise place the subject lease and subject well in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
14. Respondent's time out of compliance for Statewide Rule 3 and 9(9)(B) was from June 15, 2010 until February 25, 2014.
15. Well No. 12 on the Loving south (27616) Lease was plugged with State Funds on February 25, 2014.

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16. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 7B-0261745: Final Order Served: April 5, 2011.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed or have occurred.
3. Respondent was in violation of Commission Statewide Rules 3, 9(9)(B), 9(11)(B) and 9(12)(A)&(B).
4. Respondent was responsible for maintaining the subject lease in compliance with Statewide Rule 3, which requires that each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
5. Respondent was responsible for maintaining the subject lease in compliance with Statewide Rule 9(9)(B), which requires that the wellhead shall be equipped with a pressure observation valve on tubing and for each annulus of the well.
6. Respondent was responsible for maintaining the subject lease in compliance with Statewide Rule 9(11)(B), which requires that the results of the monitoring shall be reported annually to the Commission on the required form.
7. Respondent was responsible for maintaining the subject lease in compliance with Statewide Rule 9(12)(A)&(B), which requires that the mechanical integrity of a disposal well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity.
8. Respondent was responsible for maintaining the subject lease and subject well in compliance with all applicable Commission rules according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the Texas Natural Resources Code.
9. The documented violations committed by the respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531.
10. The Commission was authorized to plug the subject well and is entitled to reimbursement for State Funds expended pursuant to TEX. NAT. RES. CODE §89.043, 98.046 and 89.083.

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11. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Van Jeter Riley, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 91.114(a)(2) for a period of no more than seven years from the date the order entered in this matter becomes final, or until the conditions that constituted the violations herein are corrected or are being corrected in accordance with a schedule to which the Commission and the organization have agreed; and all administrative, civil, and criminal penalties and all cleanup and plugging costs incurred by the State relating to those conditions are paid or are being paid in accordance with a schedule to which the Commission and the organization have agreed, whichever is earlier.

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. Van Jeter Riley, Sole Proprietor, Evarado Oil Company (256445), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND FIVE HUNDRED DOLLARS (\$6,500.00)** and **REIMBURSE State Funds in the amount of TWENTY THOUSAND THREE HUNDRED TWENTY FIVE DOLLARS (\$20,325.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. 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 90 days from the date the parties are notified of the order.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

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Noncompliance with the provisions of this order is subject to enforcement by the Attorney General and subject to civil penalties of up to \$10,000.00 per day per violation.

Done this 24th day of February 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated February 24, 2015)

TJJ/sa