

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0294083

ENFORCEMENT ACTION AGAINST AMERICAN EAGLE OPERATING LLC (OPERATOR NO. 017970) FOR VIOLATIONS OF STATEWIDE RULES ON THE BURNETT - GULF (05549) LEASE, WELL 5, WICHITA COUNTY REGULAR FIELD, WICHITA COUNTY; BURNETT -A- (PERMIT NO. 727501) LEASE, WELL 24, WICHITA COUNTY REGULAR FIELD, WICHITA COUNTY; AND BURNETT - GULF (06192) LEASE, WELL 2, 3, K-M-A FIELD, WICHITA COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 18, 2015 and that the respondent, American Eagle Operating, LLC (017970), 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. American Eagle Operating, LLC (017970), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. On July 2, 2014, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Keith Alexander Jr., Managing Director.
3. Keith Alexander, Jr. was a 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.
4. Respondent designated itself to the Commission as the operator of Well No. 5 on the Burnett - Gulf (05549) Lease, Well No 24 on the Burnett -A- (727501) Lease and Well Nos. 2 and 3 on the Burnett - Gulf (06192) Lease ("subject wells"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on January 1, 2011 for the Burnett - Gulf (05549) Lease, November 4, 2011 for the Burnett -A- Permit #727501) Lease and September 1, 2010 for the Burnett - Gulf (06192) Lease.
5. Respondent's P-5 (Organization Report) became delinquent on June 1, 2015. Respondent had a \$50,000 Bond as its financial assurance at the time of its last P-5 renewal.
6. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

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7. Well 24, on the Burnett -A- (Permit No. P727501) Lease, Wichita County Regular Field, Wichita County, Texas was spudded on November 11, 2011.
8. Commission records indicate that a representative of Respondent contacted the District 9 Office on November 14, 2011 to report setting of surface/production casing string in Well 24 on the Burnett -A- (Permit No. P727501) Lease, Wichita County Regular Field, Wichita County, Texas. An application for Alternative Surface Casing Program was not received by the District Office until August 15, 2014.
9. Commission records reflect that on January 20, 2011, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation, or production, of oil or gas from the Burnett - Gulf (05549) Lease, that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws, to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
10. Commission records reflect that on March 9, 2011, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation, or production, of oil or gas from the Burnett - Gulf (06192) Lease, that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws, to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
11. Commission records reflect that Respondent did not timely show compliance with all requirements of law for retention of the certificate of compliance and, as a result, the certificates of compliance for the Burnett - Gulf (05549) Lease and the Burnett - Gulf (06192) Lease, were cancelled, and Respondent given notice of such cancellation, on February 28, 2011 and March 1, 2011 respectively.
12. Production reports filed by Respondent with the Commission for the Burnett-Gulf (05549) Lease, from January 1, 2011 to March 25, 2011, show Respondent produced an approximate total of 290 barrels from the Burnett - Gulf (05549) Lease, after the certificate of compliance had been canceled and before a new certificate of compliance had been issued.
13. Production reports filed by Respondent with the Commission for the Burnett - Gulf (06192) Lease, from January 1, 2011 to March 11, 2011, show Respondent produced an approximate total of 1130 barrels from the Burnett - Gulf (06192) Lease, after the certificate of compliance had been canceled and before a new certificate of compliance had been issued.
14. By producing the Burnett - Gulf (05549) Lease, and on the Burnett - Gulf (06192) Lease after notice from the Commission that the certificates of compliance had been canceled and before new certificates of compliance had been issued, Respondent violated Statewide Rule 73(l) and TEX. NAT. RES. CODE ANN. §85.166.

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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 is in violation of Commission Statewide Rules 13(b)(1)(G)(i) and 73(i) and TEX. NAT. RES. CODE ANN. §85.166..
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(b)(1)(G)(i), which states that the operator shall state the reason for the alternative fresh water protection method and outline the alternative program for casing and cementing through the protection dept for strata containing usable quality water. An operator shall obtain approval of any alternative program before commencing operations.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 73(i), which provides that upon cancellation of the certificate of compliance for a well the operator of such well shall not produce oil, gas or geothermal resources from that well until a new certificate of compliance with respect to the well has been issued by the Commission.
6. Respondent is responsible for maintaining the subject lease and subject wells 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.
7. 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.
8. 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, Keith Alexander Jr., 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.

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

1. American Eagle Operating, LLC (017970) shall place Well No. 5, on the Burnett - Gulf (05549) Lease, Wichita County Regular Field, Wichita County, Texas in compliance with applicable Commission rules and regulations;
2. American Eagle Operating, LLC (017970) shall place Well No. 24, on the Burnett -A- (727501) Lease, Wichita County Regular Field, Wichita County, Texas in compliance with applicable Commission rules and regulations;
3. American Eagle Operating, LLC (017970) shall place Well Nos. 2 and 3, on the Burnett - Gulf (06192) Lease, K-M-A Field, Wichita County, Texas in compliance with applicable Commission rules and regulations and;
4. American Eagle Operating, LLC (017970), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIXTEEN THOUSAND DOLLARS (\$16,000.00)**.

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 90 days from the date Commission Order is signed.

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.

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 17th day of November 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
November 17, 2015)