

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0294450

ENFORCEMENT ACTION AGAINST XTREME OPERATING COMPANY, LLC (946028) FOR VIOLATIONS OF STATEWIDE RULES ON THE COMPTON (23901) LEASE, WELL NOS. 2, 3, 4 AND 5, COMPTON (HOPE) FIELD, CALLAHAN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 14, 2015 and that the respondent, Xtreme Operating Company, LLC (946028), 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. Xtreme Operating Company, LLC (946028), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing was returned to the Commission on March 9, 2015 marked "unable to forward". The certified envelope 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. The certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing sent to the Vice-President - John Francis Bell was signed on March 3, 2015. The electronic 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.
4. On August 22, 2014, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Paul Allen Henley, President; John Francis Bell, Vice-President.
5. Paul Allen Henley was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
6. John Francis Bell was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
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8. Respondent designated itself to the Commission as the operator of Well Nos. 2, 3, 4 and on the Compton (23901) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority) effective on July 1, 2013.
9. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
10. Respondent's P-5 (Organization Report) became delinquent on July 1, 2014. Respondent had \$50,000 cash as its financial assurance at the time of its last renewal.
11. Commission District inspections were conducted on November 3, 2014, September 23, 2014 and August 15, 2014 for the Compton (23901) Lease. The sign or identification required to be posted at the lease entrance displayed incorrect operator. The signs or identification at Well Nos. 2, 3, 4 and 5 displayed incorrect operator. The sign or identification at the tank battery displayed incorrect operator.
12. 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.
13. Commission District inspections reports made on November 3, 2014, September 23, 2014 and August 15, 2014 for the Compton (23901) Lease indicated that Respondent caused or allowed an unauthorized discharge of hydrocarbons to affect an area of the subject lease measuring 3' x 1' x 4". Reports also indicated that Respondent caused or allowed an additional unauthorized discharge of produced water to affect an area of the subject lease measuring approximately 12' x 6' x 6".
14. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the lease.
15. Unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or can leach into the ground and percolate through soils into groundwater supplies.
16. Commission District inspections reports made on November 3, 2014, September 23, 2014 and August 15, 2014 for the Compton (23901) Lease. Respondent failed to backfill and compact a workover pit near Well No. 5 measuring approximately 30' x 9' x 5'. The inspection reports show that the pit was dry. The subject well was completed on May 14, 1987.
17. Failing to dewater pits constitute a hazard to public health and safety because of the potential for illegal dumping in the pits and the potential for surface run-off to collect in the pit and seep into subsurface waters.
18. A Commission District inspection report was made on November 3, 2015 for the Compton

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- (23901) Lease. The casing valve on Well No. 5 had been removed and replaced with a 1" hose connected to a swedge left open to the atmosphere.
19. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.
 20. Respondent has a history of Commission rule violations including the following dockets: 7B-0269534; Final Order Served: November 8, 2011; and 7B-0269536; Final Order Served: April 15, 2012.
 21. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
 22. A Commission District Inspection conducted on November 3, 2014 for the Compton (23901) Lease. Well No.4 did not have an operable observation valve.

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 3, 8(d)(1), 8(d)(4)(G)(i)(III), 13(a)(6)(A), 14(b)(2) and 46(g)(2).
4. Respondent is 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 resources well and tank, or other approved crude oil measuring facility shall post signs or identification.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(G)(i)(III), which requires workover pits to be dewatered, filled and compacted within 120 days from completion of workover operations.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(a)(6)(A), which states that wellhead assemblies shall be used on wells to maintain surface control of the well.

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8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14 (b)(2), which states that plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease and shall proceed with due diligence until completed unless the Commission or its delegate approves a plugging extension under §3.15 of this title
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which requires that the wellhead be equipped with a pressure observation valve on the tubing and for each annulus of the well.
10. 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.
11. 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.
12. 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, Paul Allen Henley, 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.
13. 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, John Francis Bell, 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. Xtreme Operating Company, LLC (946028), shall plug or place the Compton (23901) Lease, Well Nos. 2, 3, 4, and 5, Compton (Hope) Field, Callahan County, Texas in compliance with applicable Commission rules and regulations; and
2. Xtreme Operating Company, LLC (946028), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY-SIX THOUSAND SEVEN HUNDRED FIFTY-TWO DOLLARS (\$26,752.00)**.

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 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 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 15th of December 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated December 15, 2015)