



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

PROPOSAL FOR DECISION

OIL AND GAS DOCKET NO. 20-0294518

HEARING ON THE APPLICATION OF PETROLIA GROUP, LLC FOR UNRESTRICTED RENEWAL OF ITS P-5 AND TO CONTEST THE STAFF DETERMINATION THAT ITS P-5 CANNOT BE RENEWED BECAUSE IT HAS NOT COMPLIED WITH THE INACTIVE WELL REQUIREMENTS OF STATEWIDE RULE 15

APPEARANCES

FOR PETROLIA GROUP, LLC

David Nelson, Attorney at Law
Steve Rackley, Director of Operations

FOR THE RAILROAD COMMISSION OF TEXAS:

Kristi Reeve, Staff Attorney, Enforcement Section
Mysti Doshier, Manager, P-5 Financial Assurance Unit

PROCEDURAL HISTORY

Notice of Hearing:	March 27, 2015
Hearing on the merits:	April 29, 2015
Transcript received:	May 13, 2015
Proposal for Decision:	May 21, 2015
Heard by:	Terry J. Johnson, Legal Examiner Richard Eyster, Technical Examiner

SUMMARY

Operator challenges staff determination that renewal of its P-5 Organization Report should not be approved due to the operator's failure to comply with the inactive well requirements of Statewide Rule 15. The record evidence demonstrates that the operator's wells fail to comply with

Statewide Rule 15. It is recommended that the Commission deny renewal of the P-5 and order the operator to bring the wells into compliance.

EVIDENCE PRESENTED

STAFF'S CASE: NON-COMPLIANCE

Mysti Doshier, manager of the Commission's P-5 Financial Assurance Unit, testified that Petrolia Group, LLC (Petrolia) is the operator of record for 102 inactive wells that fail to comply with the requirements of Statewide Rule 15.¹ The evidence of record demonstrates that the P-5 Unit notified Petrolia by certified mail on or about August 19, 2015 that these non-compliant wells would prohibit renewal of the Petrolia's P-5. This notice also identified the respective deficiencies of the wells at issue.

Ms. Doshier testified that all 102 wells remained out of compliance with Rule 15 at the time of hearing. Petrolia's brief cross-examination of Ms. Doshier did not challenge her testimony.²

PETROLIA'S CASE

Steve Rackley, Petrolia's director of operations, testified that Petrolia plans to transfer the involved wells to other entities. He stated that a separate action, currently pending before the Commission, has resulted in an administrative hold preventing transfer of 49 of the 102 wells. In sum, Petrolia seeks a 90- to 120-day delay to allow for transfer of the wells.

DISCUSSION AND RECOMMENDATION

NON-COMPLIANCE

Texas law expressly conditions renewal of a P-5 Organization Report on

¹ 16 TEX. ADMIN. CODE § 3.15 (Surface Equipment Removal Requirements and Inactive Wells)

² Attached Appendix 1, admitted into the record at hearing, identifies the wells and their deficiencies.

an operator's compliance with the requirements of Statewide Rule 15.³ Among other things, the rule establishes a one-year deadline for plugging an inactive well. Unless the operator of record obtains an extension of the plugging deadline, it must either re-establish production or plug the well within this one-year period.

The evidence in this case shows that Petrolia is the operator of record for 102 inactive wells that fail to meet the requirements of Rule 15. For its part, Petrolia did not challenge this evidence but instead offered testimony that it needed more time to transfer the subject wells to other entities.

It is recommended that the Commission enter an order denying renewal of Petrolia's P-5.

A list of the wells involved, identifying the compliance shortfall of each, is attached as Appendix 1, which is hereby incorporated by reference for all purposes. The examiners also take official notice of Petrolia's current P-5, which is attached as Appendix 2.

FINDINGS OF FACT

1. Petrolia Group, LLC (Petrolia) holds Operator Number 660810.
2. Petrolia is the operator of record for the oil and gas wells identified on attached Appendix 1, which is hereby adopted and incorporated by reference for all purposes.
3. On or about August 19, 2015 the Commission's P-5 Financial Assurance Unit notified Petrolia that renewal of the operator's P-5 Organization Report would be denied for failure to meet the inactive well requirements of 16 TEX. ADMIN. CODE § 3.15 (Statewide Rule 15).
4. Petrolia timely requested a hearing to contest the determination

³TEX. NAT. RES. CODE § 89.022(c)

that its wells fail to meet the requirements of Statewide Rule 15.

5. The oil and gas wells identified on Appendix 1 fail to meet the requirements of Statewide Rule 15 for the reasons stated therein.
6. For purposes of TEX. NAT. RES. CODE § 91.114, at all times relevant hereto Sean H. Acrey was a person who held a position of ownership or control in Petrolia.
7. For purposes of TEX. NAT. RES. CODE § 91.114, at all times relevant hereto Ian B. Acrey was a person who held a position of ownership or control in Petrolia.

CONCLUSIONS OF LAW

1. Petrolia Group, LLC has received notice and an opportunity for hearing regarding compliance with TEX. NAT. RES. CODE §§89.021 - 89.030 and 16 TEX. ADMIN. CODE §3.15.
2. Petrolia Group, LLC has failed to comply with the requirements of TEX. NAT. RES. CODE, Chapter 89, Subchapter B-1 and 16 TEX. ADMIN. CODE §3.15.
3. The P-5 Organization Report of Petrolia Group LLC may not be renewed or approved. TEX. NAT. RES. CODE § 89.022(c).

RESPECTFULLY SUBMITTED on this the 21st day of May, 2015.


TERRY J. JOHNSON
Legal Hearings Examiner


RICHARD EYSTER
Technical Hearings Examiner