

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 05-0294072

ENFORCEMENT ACTION AGAINST TALUS RESOURCES LLC (OPERATOR NO. 835618) FOR VIOLATIONS OF STATEWIDE RULES ON THE GIBSON (PERMIT NO. 701435) LEASE, WELL NO. 32, CALVERT FIELD, ROBERSTON COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas (“Commission”) finds that after statutory notice the captioned enforcement proceeding was heard by a Commission Administrative Law Judge on August 27, 2015, and that the respondent, Talus Resources LLC, 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, 16 TEX. ADMIN. CODE § 1.49, and after being duly submitted to the Commission at a conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Talus Resources LLC (Operator No. 835618), (“Respondent”), was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to the most recent Commission Form P-5 (Organization Report) address. Mark Seyer, President of Respondent, was given Notice of Opportunity for Hearing by certified and first class mail, addressed to his last known address.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing were both received by the Respondent and Mark Seyer on July 20, 2015. The first class mail was not returned. Record of the delivery of certified mail has been on record with the Commission for more than 15 days, exclusive of the day of receipt and day of issuance. Respondent was given more than 30 days’ notice of the Original Complaint and Notice of Opportunity for Hearing. Respondent has not entered into an agreed settlement order, filed an answer, or requested a hearing.
3. On April 25, 2014, Respondent, a limited liability company, filed a Form P-5 (Organization Report) with the Commission reporting that its officers consisted of the following individual: Mark Seyer, President.
4. Mark Seyer was in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.

5. Respondent's P-5 (Organization Report) is delinquent. Respondent had a \$50,000 cash deposit on file with the Commission as its financial assurance at the time of its last P-5 annual renewal submittal.
6. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
7. Respondent designated itself as the operator of the Gibson (Permit No. 701435) Lease, Well No. 32, Calvert Field, Roberston County, Texas by filing a Commission Form W-1 (Drilling Permit), submitted August 30, 2010, approved September 17, 2010.
8. Commission inspection reports made on February 17, 2011 and August 12, 2011, for the Gibson (Permit No. 701435) Lease, Well No. 32, show that operations were suspended prior to plugging. The hole was not cased nor was the casing cemented in place.
9. Unplugged wellbores, in violation of Statewide Rule 14(a)(3), can cause pollution of usable quality groundwater and surface water by serving as a conduit for the passage of oil, gas, saltwater, and other substances from one stratum or formation to another or to the surface or from the surface downward.
10. Commission inspection reports made on February 17, 2011 and August 12, 2011, for the Gibson (Permit No. 701435) Lease show that Well No. 32 has been drilled to 2286' with a surface casing set to 250' but Respondent has not filed the required completion report, and the Base of Usable Quality water was found to be 1100'.
11. Should a well need to be re-entered for any reason, the wellbore documentation provided in those reports, as set forth in Statewide Rule 16(b), is necessary to safely and efficiently carry out the replugging, recompletion, reworking, or other action.
12. Respondent has no prior history of violations of Commission rules.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Commission to Respondent and all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties have been performed or have occurred.
3. Respondent is responsible for maintaining the subject lease in compliance with all applicable Commission rules and chapters 89 and 91 of the Texas Natural Resources Code.
4. Respondent is in violation of Statewide Rules 14(a)(3) and 16(b). 16 TEX. ADMIN. CODE

§§ 3.14(a)(3) and 3.16(b).

5. The documented violations committed by Respondent constitute acts deemed serious, and a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE § 81.0531(c).
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(a)(3), which requires operations shall not be suspended prior to plugging the well unless the hole is cased and casing is cemented in place in compliance with Commission rules.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires proper completion reports to be filed timely.
8. Pursuant to TEX. NAT. RES. CODE § 81.0531, the Commission may assess administrative penalties against Respondent for the subject violations of up to \$10,000 per day for each violation, with each day such violations continued constituting a separate violation.
9. An assessed administrative penalty in the amount of FIVE THOUSAND DOLLARS (\$5,000.00) is justified considering the facts and violations at issue.
10. 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, Mark Seyer, and any other organization in which he may hold a position of ownership or control, is subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code.

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

1. Talus Resources LLC (Operator No. 835618) shall place the Gibson (Permit No. 701435) Lease, Well No. 32, Calvert Field, Roberston County, Texas in compliance with Statewide Rules 14(a)(3), and 16(b), and any other applicable Commission rules and statutes.
2. Talus Resources LLC (Operator No. 835618) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE THOUSAND DOLLARS (\$5,000.00)**.

It is further **ORDERED** that 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, Mark Seyer, and any other organization in which he may hold a position of ownership or control, shall be subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code 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.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 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 of 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 this order in accordance with TEX. GOV'T CODE § 2001.144.

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 21st day of June, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated June 21, 2016)

JNC / rnf