



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0267053

Enforcement Action Against Ranch Exploration Ventures, LLC (Operator No. 690535) for violations of Statewide Rules in the operation of Rancho Cali Lease, Well No. 2 (Drilling Permit No. 679429), Brookshire Field, Waller County

APPEARANCES:

FOR THE RAILROAD COMMISSION OF TEXAS:

Kristi M. Reeve, Attorney, Enforcement Section

FOR RANCH EXPLORATION VENTURES, LLC:

Steven Getz, Exploration Manager

PROPOSAL FOR DECISION

Procedural History

Complaint filed:	April 9, 2012
Notice of Hearing:	April 9, 2012
Hearing on the merits:	May 24, 2012
Record closed:	June 21, 2012

SUMMARY

The Enforcement Section alleges that Respondent Ranch Exploration Ventures, LLC has violated Statewide Rule 3 (Identification of Properties, Wells and Tanks), Rule 8 (Water Protection), Rule 14 (Plugging) and Rule 16 (Log and Completion or Plugging Report) in its operation of the Rancho Cali Lease, Well No.2, Brookshire Field in Waller County, Texas.

Respondent appeared at hearing but presented no evidence to contradict Enforcement's case.

The proof demonstrates that Respondent has failed to post required signs identifying the well in violation of Rule 3(2), that Respondent has not backfilled and compacted the lease's reserve pit in violation of Rule 8(d)(4)(G)(i)(I), that Respondent has neither plugged the subject well nor obtained a plugging extension, all in violation of Rule 14(b)(2) and that Respondent has not reported completion of the well, a violation of Rule 16(b).

It is recommended that the Commission order Respondent to either plug the subject well or bring the lease into compliance and that the Commission assess a civil penalty of \$4985.00.

ENFORCEMENT'S CASE

VIOLATIONS--2009

On May 9, 2009, a District 3 field inspection of Respondent's Rancho Cali lease found that Respondent had not posted the required signs identifying the well, a violation of Statewide Rule 3(2).¹ The inspection additionally noted that drilling operations had ceased for Well No. 2. Statewide Rule 16(b) required Respondent to file a report on the well within 30 days of the completion of drilling.² It failed to do so.³ On July 14, District 3 Director Guy Grossman notified Respondent that it was in violation of Rule 3 and Rule 16. Respondent did not reply or respond to the notice.

An inspection of the lease on July 27 revealed that the wellhead had been removed from Well No. 2, leaving the wellbore exposed to the atmosphere with fluid visible approximately four feet below the surface, a violation of Statewide Rule 13(b)(1)(B).⁴ On July 28, after repeated unavailing attempts to contact Respondent, the District--at state expense--installed a temporary wellhead.

On July 31, District Director Grossman notified Respondent that it had violated Rule 16 and continued to be in violation of Rules 3 and 13. Respondent did not reply.

A District inspection August 24 found that Respondent's violation of Rules 3, 13 and 16 continued. On September 2, Director Grossman notified Respondent of these violations and advised that they were being referred to the Enforcement Section for further action. Enforcement assigned the case Docket No. 03-0263528.

The violation of Rules 3, 13 and 16 continued through inspections on September 28 and December 2. The Director notified Respondent of the violations on October 2 and December 15, respectively. Respondent did not reply.

FIRST OFFER TO SETTLE

On November 13, 2009, Enforcement Section Staff made Respondent an offer of settlement in Docket No. 03-0263528.

¹ 16 Tex. Admin. Code § 3.3(2) For the convenience of the reader, this will be referred to as the Rule 3 violation.

² 16 Tex. Admin. Code § 3.16(b)

³ This will be referred to as the Rule 16 violation.

⁴ 16 Tex. Admin. Code § 13(b)(1)(B) This will be referred to as the Rule 13 violation.

Respondent's November 24 reply was a rambling narrative which included the claim that the wellhead had been removed "as a matter of sabotage" relating to litigation concerning another well on the lease. To support this claim, Respondent attached a largely incoherent ten-page document that was styled as a "cross-claim to petition in intervention". This writing was unexecuted--it lacked a signature block--and bore no file stamp or other sign of legitimacy.

Respondent's reply did not acknowledge the settlement offer. No complaint was filed in Docket No. 03-0263528.

VIOLATIONS CONTINUE THROUGH 2010; WELL AGES TO ONE YEAR

The District's inspection of the lease on February 12, 2010 found conditions unchanged. Respondent remained in continuing violation of Rules 3, 13 and 16.

By May 19, the Rancho Cali No. 2 had been inactive for more than a year. Statewide Rule 14(b)(2) required Respondent to either plug the well or obtain an extension of the one-year deadline.⁵ It had done neither. This anniversary also triggered Respondent's obligation to de-water, backfill and compact the lease's reserve pit. Respondent's failure to do so was a violation of Statewide Rule 8(d)(4)(G)(i)(I).⁶ The District's May 19 inspection added violations of Rules 8 and 14 to Respondent's continuing violation of Rules 3, 13 and 16.

Two months later, a July 2 field inspection confirmed that Respondent remained in violation of Rules 3, 8, 13, 14 and 16. On August 5 the District again referred the case to Enforcement, where it was assigned Docket No. 03-0267053. An inspection on September 13, the last of 2010, revealed that Respondent remained in violation of Rules 3, 8, 13, 14 and 16.

SECOND SETTLEMENT OFFER

On November 18, 2010, Enforcement Staff made an offer of settlement in Docket No. 03-0267053. Respondent did not reply to the offer.

DOCKETS MERGED, COMPLAINT FILED--2012

Enforcement ultimately merged Docket No. 03-0263528 into Docket No. 03-0267053, the case at hand. The active complaint, alleging violations of Rules 3, 8, 14 and 16, was filed on April 9, 2012.

RESPONDENT'S CASE

CIGARETTES, NINJAS AND A CHROME REVOLVER

At hearing, Respondent's representative, Steven Getz, did not dispute the allegations but asserted

⁵ 16 Tex. Admin. Code § 3.14(b)(2) This will be referred to as the Rule 14 violation.

⁶ 16 Tex. Admin. Code § 3.8(d)(4)(G)(i)(I) This will be referred to as the Rule 8 violation.

that Respondent could not cure the violations because litigation had barred it from the lease. According to Mr. Getz, by the time Respondent had begun drilling its second well on the Rancho Cali lease, there were "a lot of problems" with the surface owner.

She was taking cameras, signs were disappearing. The first well that we drilled on the lease was sabotaged. Someone had shut the . . . valve and put a hole in the side of the casing near the surface.

The surface owner's behavior was also becoming a source of concern.

She's been medically diagnosed as, essentially, crazy, literally. I mean she'd walk around with a pack of cigarettes and a chrome revolver, talking about Ninjas all the time, everywhere.

Then, said Mr. Getz, "every thing kinda fell apart." Well No. 2 was a dry hole. And Respondent's plan to sidetrack the well into a pay zone was, according to the Mr. Getz, thwarted by the surface owner. "Everything went into litigation," he said, "Essentially, we were told by the court to not go on the lease."

Mr. Getz was allowed nearly a month post-hearing to produce court documents in support of his claim that Respondent was prohibited from working the lease. He could not. Accordingly, this assertion is found to be not worthy of belief and is given no weight.

EXAMINER'S OPINION

VIOLATIONS CHARGED

Statewide Rule 3(2) required Respondent to post--at the Rancho Cali No. 2 well site--a sign that identified the property, the operator and the well. This information is vital to an effective response in the event of pollution or other emergency. Respondent has been in violation of this requirement since at least May 9, 2009.

Statewide Rule 8(d)(4)(G)(i)(I) required Respondent to backfill and compact its reserve pit within one year of the cessation of drilling operations. Open pits invite illegal dumping. They also collect and hold storm water run-off, elevating the possibility of oil-residue migration into subsurface fresh water. Respondent discontinued drilling operations on the Rancho Cali No. 2 on or before May 9, 2009. The reserve pit on the lease remains open.

Statewide Rule 14(b)(2) required Respondent to either commence plugging operations within one year after drilling operations ceased or obtain an extension of the plugging deadline. An open wellbore is a conduit for contamination of both surface and subsurface fresh water. Respondent has neither plugged Well No. 2 nor obtained a plugging extension, obligations that are more than two years delinquent.

Whether Well No. 2 was a producer or a dry hole, Statewide Rule 16(b) required Respondent to file a completion report. Without the information contained in this report, the Commission cannot determine if a wellbore has been adequately cased and cemented, a shortfall that obstructs the agency's ability to protect fresh water from subsurface contamination. Although more than three years have passed since Respondent's deadline for filing a completion report on Well No. 2, Respondent has filed no report.

The record demonstrates that Respondent has committed the violations as alleged.

PREVIOUS VIOLATIONS

The Enforcement Section neither alleged nor proved that Respondent has previously violated Commission rules.

SERIOUSNESS, GOOD FAITH AND PUBLIC HAZARD

Respondent has essentially walked away from its lease, leaving behind a wellbore and reserve pit that are serious pollution hazards. It failed to properly identify the well it had been drilling. It failed to provide the Commission with the information necessary to determine whether the well was properly completed. And Respondent has ignored repeated Commission notices of these violations.

Respondent has not demonstrated good faith.

RECOMMENDATION

It is recommended that the Commission adopt the Findings of Fact and Conclusions of Law set out below and order Respondent to plug the Rancho Cali Well No. 2 or otherwise bring the lease into compliance with Commission rules.

It is further recommended that the Commission grant the request of the Enforcement Section and assess against Respondent a civil penalty in the amount of \$4,985.00, as follows:

1 violation of Rule 3(2)	\$ 250.00
1 violation of Rule 8(d)(4)(G)(i)(I)	\$ 2,000.00
1 violation of Rule 14(b)(2)	\$ 2,000.00
1 violation of Rule 16(b)	\$ 500.00
Reimbursement for temporary wellhead	\$ 235.00

FINDINGS OF FACT

1. Respondent Ranch Exploration Ventures, LLC received notice and appeared at hearing by and through its Exploration Manager, Steven Getz.
2. Respondent holds Operator Number 690535.
3. Respondent is the operator of the Rancho Cali Lease, Well No. 2 (Drilling Permit No. 679429), Brookshire Field, Waller County, Texas.
4. A May 9, 2009, RRC District 3 field inspection of the Rancho Cali lease found that Respondent had failed to post identifying signs, a violation of 16 Tex. Admin. Code § 3.3(2).
5. This inspection also found that drilling operations for Well No. 2 had ceased.
6. Respondent did not file a completion report for Well No. 2 within 30 days after drilling was completed, a violation of 16 Tex. Admin. Code § 3.16(b).

7. On July 14, 2009, the District 3 Director notified Respondent that it had violated 16 Tex. Admin. Code §§ 3.3(2) and 3.16(b).
8. Respondent did not reply to the notification or cure the identified violations.
9. On July 27, 2009, a lease inspection found that the wellhead to Well No. 2 had been removed, leaving the wellbore exposed to the atmosphere with fluid visible approximately four feet below the surface, a violation of 16 Tex. Admin. Code § 3.13(b)(1)(B).
10. After repeated attempts to contact Respondent proved unsuccessful, on July 28, 2009 the District installed temporary wellhead at state expense in the amount of \$235.00.
11. Following lease inspections on August 18, 2009 and August 24, 2009, the District 3 Director notified Respondent on September 2, 2009 that its violation of 16 Tex. Admin. Code §§ 3.3(2), 3.13(b)(1)(B) and 3.16(b) had been referred to the Commission's Enforcement Section; Enforcement assigned the case Docket No. 03-0263528.
12. Respondent did not reply to the notification or cure the identified violations.
13. On September 28, 2009, a lease inspection revealed that Respondent remained in violation of 16 Tex. Admin. Code §§ 3.3(2), 3.13(b)(1)(B) and 3.16(b).
14. On October 2, 2009, the District 3 Director notified Respondent that it remained in violation of 16 Tex. Admin. Code §§ 3.3(2), 3.13(b)(1)(B) and 3.16(b).
15. Respondent did not reply to the notification or cure the identified violations.
16. On December 2, 2009, a lease inspection revealed that Respondent remained in violation of 16 Tex. Admin. Code §§ 3.3(2), 3.13(b)(1)(B) and 3.16(b).
17. On December 15, 2009, the District 3 Director notified Respondent that it remained in violation of 16 Tex. Admin. Code §§ 3.3(2), 3.13(b)(1)(B) and 3.16(b).
18. Respondent did not reply to the notification or cure the identified violations.
19. On February 12, 2010, a lease inspection revealed that Respondent remained in violation of 16 Tex. Admin. Code §§ 3.3(2), 3.13(b)(1)(B) and 3.16(b).
20. As of May 9, 2010, there had been no drilling operations on the Rancho Cali Well No. 2 for more than one year.
21. On May 19, 2010, a lease inspection revealed that Respondent had not commenced plugging operations, plugged or obtained a plugging extension for the Rancho Cali Well No. 2, a violation of 16 Tex. Admin. Code § 3.14(b)(2).
22. The same inspection showed that the reserve pit on the lease had not been de-watered, backfilled and compacted, a violation of 16 Tex. Admin. Code § 3.8(d)(4)(G)(i)(I).

23. On May 19, 2010, Respondent remained in violation of 16 Tex. Admin. Code §§ 3.3(2), 3.13(b)(1)(B) and 3.16(b).
24. On August 5, 2010, the District referred the violations to the Enforcement Section, where the case was assigned Docket No. 03-0267053.
25. On September 13, 2010, a lease inspection revealed that Respondent remained in violation of 16 Tex. Admin. Code §§ 3.3(2), 3.8(d)(4)(G)(i)(I), 3.13(b)(1)(B), 3.14(b)(2) and 3.16(b).
26. On or before April 9, 2012, the Enforcement Section administratively merged the earlier case, Docket No. 03-0263528, into Docket No. 03-0267053, the case at hand.
27. On Respondent's motion, the record in this case was held open to receive proof that Respondent was prevented from curing the violations alleged by a court order barring Respondent from access to the Rancho Cali lease.
28. No such proof was received and the record was closed on June 21, 2010.
29. Respondent's claim that it was barred from the lease by a court order is unworthy of belief.
30. Respondent has failed to post the required signs identifying the Rancho Cali Lease, Well No. 2.
31. Drilling operations on the Rancho Cali Lease Well No. 2 ceased on or before May 9, 2010.
32. Respondent has failed to de-water, backfill and compact the reserve pit for the Rancho Cali Lease Well No. 2 within one year after drilling operations ceased.
33. Respondent has failed to commence plugging operations on, plug or obtain a plugging extension for the Rancho Cali Lease Well No. 2 within one year after drilling operations ceased.
34. Respondent has failed to file the required completion report on the Rancho Cali Lease Well No. 2.
35. Respondent has no history of prior violations.
36. Respondent has not demonstrated good faith because it has failed to respond to, to cure or to otherwise resolve the violations that are at issue in the case at hand for over three years in connection with 16 Tex. Admin. Code §§ 3.3(2) and 3.16(b) and for over two years in connection with 16 Tex. Admin. Code §§ 3.8(d)(4)(G)(i)(I) and 3.14(b)(2).
37. Respondent's violations are serious and constitute a threat to the health and safety of the public.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to the appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Respondent Ranch Exploration Ventures, LLC has violated 16 Tex.Admin. Code § 3.3(2).

4. Respondent has violated 16 Tex. Admin. Code § 3.8(d)(4)(G)(i)(I).
5. Respondent has violated 16 Tex. Admin. Code § 3.14(b)(2).
6. Respondent has violated 16 Tex. Admin. Code § 3.16(b).
7. Respondent should be assessed a civil penalty pursuant to authority of Tex. Nat. Res. Code § 81.0531.

RESPECTFULLY SUBMITTED on this the 16th day of October, 2012.


TERRY J. JOHNSON
Hearings Examiner