

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0288579

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY XTREME OPERATING COMPANY, LLC (946028) AS TO THE BROWN UNIT (27237) LEASE, WELL NOS. 4 AND 10, CALLAHAN COUNTY REGULAR FIELD, CALLAHAN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on November 13, 2014, 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, which was returned to the Commission.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was returned to the Commission marked "refused" on May 13, 2014. The certified 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.
3. The certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, sent to Paul Allen Henley, President; was signed. The electronic receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
4. On August 21, 2013, 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; and 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 Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

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6. John Francis Bell, was a person 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.
7. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
8. Respondent designated itself to the Commission as the operator of Well No. 4 and 10 on the Brown Unit (27237) Lease ("subject wells"/"subject leases") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on July 1, 2013.
9. 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 P-5 renewal.
10. Commission District inspections were conducted on August 15, 2013, September 24, 2013, November 18, 2013, January 10, 2014, February 18, 2014, March 27, 2014 and May 6, 2014 for the Brown Unit (27237) Lease. Well Nos. 4 and 10 have casing open to the atmosphere.
11. The Respondent has not demonstrated good faith since it failed to timely 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.
12. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 7B-0269536; Final Order Served: April 15, 2012.

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(a)(6)(A).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(a)(6)(A), which requires that wellhead assemblies shall be used on wells to maintain surface control of the wells at all times.

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5. Respondent is responsible for maintaining the subject leases 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.
6. 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.
7. The Commission was authorized to plug the subject well and is entitled to reimbursement for State Funds expended pursuant to TEX. NAT. RES. CODE §89.043, 98.046 and 89.083.
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, 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.
9. 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.

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 place the Brown Unit (27237) Lease, Well Nos. 4 and 10, Callahan County Regular 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 **SEVEN THOUSAND DOLLARS (\$7,000.00)**.

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It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 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 on which 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 the order.

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 10th day of March 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated March 10, 2015)

TJJ/sa