



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

PROPOSAL FOR DECISION

OIL AND GAS DOCKET NO. 20-0289638

HEARING ON THE APPLICATION OF NMR ENERGY 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 NMR ENERGY LLC

Sherman Weaver, President
Daniel Baker, Vice-president of Engineering

FOR THE RAILROAD COMMISSION OF TEXAS:

Melissa Glaze, Staff Attorney, Enforcement Section
Maria Castro, Manager, P-5 Department

PROCEDURAL HISTORY

Notice of Hearing:	July 16, 2014
Hearing on the merits:	August 28, 2014
Transcript received:	November 13, 2014
PFD Issued:	February 04, 2015
Heard by:	Terry J. Johnson, Legal Examiner Brian Fancher, 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

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

Maria Castro, manager of the Commission's P-5 Financial Assurance Unit, testified that NMR Energy LLC (NMR) is the operator of record for 38 inactive wells that fail to comply with the requirements of Statewide Rule 15.¹ Ms. Castro stated that the P-5 Unit notified NMR by certified mail on May 7, 2014 that these non-compliant wells would prohibit renewal of the operator's P-5. Staff further submitted evidence of the respective deficiencies of each well at issue.²

Ms. Castro testified that all 38 wells remained out of compliance with Rule 15 at the time of hearing. NMR neither cross-examined Ms. Castro nor challenged Staff's evidence of non-compliance.

NMR'S CASE

Sherman Weaver, NMR's president testified that the operator would "be bringing in funds shortly" to plug the 10 non-compliant wells on its Tripoley Magnolia lease in Pecos County because it is unable to transfer them to a third party. He further stated that NMR's parent corporation is seeking joint venture partners that will provide capital sufficient to bring the balance of NMR's wells into compliance.

Mr. Weaver testified that NMR would be in compliance "probably within a 120-day time frame."³ NMR offered no proof that its inactive wells were in compliance with the requirements of Statewide Rule 15.

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

² Staff Ex. 3, included as Appendix 1, identifies each well and its compliance shortfall.

³ TR. 24

DISCUSSION AND RECOMMENDATION

NON-COMPLIANCE

Texas law expressly conditions renewal of a P-5 Organization Report on an operator's compliance with the requirements of Statewide Rule 15.⁴ 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 NMR is the operator of record for 38 inactive wells that fail to meet the requirements of Rule 15. For its part, NMR did not challenge this evidence but instead offered testimony that it was seeking the money needed to bring the wells into compliance.

Accordingly, it is recommended that the Commission enter an order denying renewal of NMR'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.

FINDINGS OF FACT

1. NMR Energy LLC (NMR) holds Operator Number 611609.
2. NMR 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 May 7, 2014 the Commission's P-5 Financial Assurance Unit notified NMR 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. NMR timely requested a hearing to contest the determination that its wells fail to meet the requirements of Statewide Rule 15.

⁴TEX. NAT. RES. CODE § 89.022(c)

5. The oil and gas wells identified on Appendix 1 fail to meet the requirements of Statewide Rule 15 for the reasons stated therein.

CONCLUSIONS OF LAW

1. NMR Energy 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. NMR Energy 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 NMR Energy LLC may not be renewed or approved. TEX. NAT. RES. CODE § 89.022(c).

RESPECTFULLY SUBMITTED on this the 4th day of February, 2015.


TERRY J. JOHNSON
Legal Hearings Examiner


BRIAN FANCHER
Technical Hearings Examiner