



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

PROPOSAL FOR DECISION

OIL AND GAS DOCKET NO. 20-0289008

HEARING ON THE APPLICATION OF CYPRESS PIPELINE 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

APPEARANCES

FOR CYPRESS PIPELINE LLC

Sherman Weaver, President

FOR THE RAILROAD COMMISSION OF TEXAS:

Ryan Byrd, Staff Attorney, Enforcement Section
Maria Castro, Manager, P-5 Department

PROCEDURAL HISTORY

Notice of Hearing:	June 19, 2014
Hearing on the merits:	September 2, 2014
Transcript received:	December 12, 2014
Proposal for Decision Issued:	February 24, 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

Maria Castro, manager of the Commission's P-5 Financial Assurance Unit, testified that Cypress Pipeline LLC (Cypress) is the operator of record for 15 inactive wells that fail to comply with the requirements of Statewide Rule 15.¹ Ms. Castro stated that by certified mailing on April 4, 2014, the P-5 Unit notified Cypress of the deficiencies of each well and advised the operator that these non-compliant wells would prohibit renewal of Cypress' P-5.²

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

CYPRESS' CASE

Sherman Weaver, Cypress' president, testified that the operator had not worked on the wells for the last ten months because Cypress was in the process of selling itself to another company. When that transaction did not materialize, Cypress began seeking other third-party funding to bring the wells into compliance.

Mr. Weaver stated he felt confident that this would happen. He said Cypress would be in compliance within 90 to 120-days. The operator, however, offered no proof that the subject wells were in compliance with Statewide Rule 15.

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 identifies the wells at issue and their respective 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 at hearing showed Cypress to be the operator of record for 15 inactive wells that fail to meet the requirements of Rule 15. On December 12, 2014, the record was reopened for the limited purpose of receiving proof of Cypress' progress in bringing its wells into compliance. The evidence received showed that Cypress had remedied one well. Cypress does not dispute the non-compliant status of its wells but instead seeks further delay to obtain the money needed to bring them into compliance.

Accordingly, it is recommended that the Commission enter an order denying renewal of Cypress' P-5.

FINDINGS OF FACT

1. Cypress Pipeline LLC (Cypress) holds Operator Number 195787.
2. Cypress 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 April 4, 2014, the Commission's P-5 Financial Assurance Unit notified Cypress 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. Cypress timely requested a hearing to contest the determination 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. At all times relevant hereto, Sherman Weaver was a person in a


³TEX. NAT. RES. CODE § 89.022(c)


position of ownership or control of respondent, as defined by Texas Natural Resource Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

CONCLUSIONS OF LAW

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

RESPECTFULLY SUBMITTED on this the 24th day of February, 2015.


TERRY J. JOHNSON
Legal Hearings Examiner


BRIAN FANCHER
Technical Hearings Examiner