

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 09-0297001**

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**ENFORCEMENT ACTION AGAINST TRI ENERGY RESOURCES, INC. (OP. NO. 868574) FOR VIOLATIONS OF STATEWIDE RULES ON THE MAMIE MCFADDIN WARD -A- (19924) LEASE, WELL NO. 2W, LITTLE GIANT (TANNEHILL) FIELD, KNOX COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on September 10, 2015 and that the respondent, Tri Energy Resources, Inc. (Op. No. 868574), 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. Tri Energy Resources, Inc. (Op. No. 868574), (“Respondent”), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was signed for on June 30, 2015. The electronic 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. On May 12, 2015, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Robert Arrowood, President and Cathy Arrowood, Vice President.
4. Robert Arrowood, was 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.
5. Cathy Arrowood, was 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.
6. Respondent designated itself to the Commission as the operator of the Mamie McFaddin Ward -A- (19924) Lease, Well No. 2W, by filing a Commission form P-4 (Certificate of Compliance and Transportation Authority), effective August 19, 2011, approved September 8, 2011.
7. The applicant’s Commission Form P-5 became delinquent on August 1, 2015. Respondent had a \$50,000 cash deposit as its financial assurance, which expired on July 31, 2015.
8. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

9. Commission district inspections were conducted on February 17, 2015, May 1, 2015, and May 11, 2015 for the Mamie McFaddin Ward -A- (19924) Lease. The sign or identification required by Statewide Rule 3(2) to be posted at Well No. 2W was missing.
10. Commission district inspections were conducted on February 17, 2015, May 1, 2015, and May 11, 2015 for the Mamie McFaddin Ward -A- (19924) Lease. The sign or identification required by Statewide Rule 3(2) to be posted at the tank battery was missing.
11. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
12. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease and subject well in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
13. Commission District office inspection reports conducted on made on February 17, 2015, May 1, 2015, and May 11, 2015, for the Mamie McFaddin Ward -A- (19924) Lease indicates that Respondent caused or allowed an authorized discharge of crude oil and waste water to affect an area of soil within firewall measuring 60' x 40' x 10' and a free standing area of water and crude oil estimated at eighty barrels. Inspection reports also show that Respondent caused or allowed an additional unauthorized discharge of oil measuring 200 ' x 6' 1' x 3' to affect an area outside the firewall along the lease road.
14. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
15. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or can leach into the ground and percolate through soils into groundwater supplies.
16. A review of Commission records indicated that the Mamie McFaddin Ward (19924) Lease was permitted as a secondary recovery well on June 30, 1982 (Permit No. 09015). Commission records further show that the Commission Form H-5 (mechanical integrity pressure test) due on March 30, 2011 was filed and the well has not been plugged.
17. Usable quality groundwater in the area is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
18. Respondent has no prior history of violations of Commission rules.

**CONCLUSIONS OF LAW**

1. Proper notice was issued by the Railroad 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 in this hearing have been performed or have occurred.
3. Respondent is responsible for maintaining the subject lease in compliance with all applicable Commission rules and for properly plugging the subject well according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91, Texas Natural Resources Code.
4. The documented violations committed by the 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 ANN. §81.0531(c) (Vernon 1993).
5. Respondent is in violation of Statewide Rules 3, 8(d)(1), and 46(j).
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, which requires that each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
7. Respondent is responsible for maintaining the subject lease in compliance with Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires the mechanical integrity of an injection well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity.
9. As a person in a position of ownership or control of respondent at the time respondent violated Commission rule related to safety and the control of pollution, both Robert Arrowood and Cathy Arrowood, and any other organization in which they, may hold a position of ownership or control, shall be subject to the restriction of Texas Natural Resources 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 sooner, if 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 ORDERED THAT** within 30 days from the day immediately following the date this order becomes final:

1. Tri Energy Resources, Inc. (Op. No. 868574), shall place the Mamie McFaddin Ward -A- (19924) Lease, Well No. 2W, Little Giant (Tannehill) Field, Knox County, Texas in compliance with applicable Commission rules and regulations; and
2. Tri Energy Resources, Inc. (Op. No. 868574), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND SIXTY DOLLARS (\$9,060.00)**.

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. If a timely motion for rehearing of an application 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 8th day of December 2015.

LMV/rnf

**RAILROAD COMMISSION OF TEXAS  
(Signatures affixed by Default Master Order  
dated December 8, 2015)**