

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 7B-0281038**

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**ENFORCEMENT ACTION AGAINST ROYAL TEXAN ENERGY CO. (OPERATOR NO. 732104) FOR VIOLATIONS OF STATEWIDE RULES ON THE H.A.N. GARRETT LEASE, WELL NO. 1 (RRC NO. 161269), AND THE M. LANE LEASE, WELL NO. 3 (RRC NO. 187426), SHACKELFORD COUNTY REGULAR FIELD, SHACKELFORD COUNTY, TEXAS**

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**FINAL ORDER**

The Railroad Commission of Texas (“Commission”) finds that after statutory notice the captioned enforcement proceeding was heard by a Commission Administrative Law Judge on October 22, 2015 and that the respondent, Royal Texan Energy Co., 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, 16 TEX. ADMIN. CODE § 1.49, and after being duly submitted to the Commission at a conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. Royal Texan Energy Co. (Operator No. 732104), (“Respondent”), was sent the Original Complaint and Notice of Opportunity for Hearing by certified mail and regular mail, addressed to the most recent Form P-5 (Organization Report) address. Javan Khazali, President and Vice-President of Respondent, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, to his last known address. Brook Hatchett, Resident Agent of Respondent, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, to her last known address.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing sent to the Resident Agent was received on September 16, 2015. There is no record of delivery of certified mail envelope sent to Javan Khazali or the most recent Commission Form P-5 (Organization Report) address; according to USPS records, the certified mail envelopes were delivered to the post office in Irvine California on September 14, 2015. No first class mail was returned. Record of the delivery to the Resident Agent of certified mail and records of lack of delivery of certified mail sent to Javan Khazali and the most recent Commission Form P-5 (Organization Report) address has been on record with the Commission for more than 15 days, exclusive of the day of receipt and day of issuance. Respondent was given more than 30 days’ notice of the Original Complaint and Notice of Opportunity for Hearing. Respondent has not entered

into an agreed settlement order, filed an answer, or requested a hearing.

3. On December 17, 2014, Respondent, a corporation, filed an Form P-5 (Organization Report) with the Commission reporting that its officers consisted of the following individual: Javan Khazali, President and Vice-President.
4. Javan Khazali 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. Respondent's P-5 (Organization Report) is currently active. Respondent has a \$50,000 letter of credit as its financial assurance.
6. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
7. Respondent designated itself as the operator of the H.A.N. Garrett Lease, Well No. 1 (RRC No. 161269) and the M. Lane Lease, Well No. 3 (RRC No. 187426), by filing Commission Forms P-4 (Certificate of Compliance and Transportation Authority), effective February 1, 2012, approved February 8, 2012.
8. Commission inspection reports made on August 9, 2012, September 24, 2012, and January 4, 2013, for the H.A.N. Garrett Lease, show that the sign or identification required to be posted at the lease entrance displayed an incorrect operator. A follow up inspection conducted on April 8, 2013, showed the correct sign in place.
9. Commission inspection reports made on August 9, 2012, September 24, 2012, and January 4, 2013, for the H.A.N. Garrett Lease, show that the sign or identification required to be posted at Well No. 1 was missing. A follow up inspection conducted on April 8, 2013, showed the sign in place.
10. Failure to properly identify a well by the posting of the signs as set forth in Statewide Rule 3(1) and 3(2) has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
11. Commission inspection reports made on August 9, 2012, September 24, 2012, January 4, 2013 and April 8, 2013; zero production reported from December 1996 through July 1999; no reports filed from August 1999 through February 2010; and zero production reported from March 2010 through May 2013, show the H.A.N. Garrett Lease, Well No. 1 (RRC No. 161269), has been inactive for a period greater than one year. Commission records further show that the subject well was plugged in May 2013.
12. Commission inspection reports made on July 15, 2012, July 17, 2013, August 20, 2012, January 9, 2013, January 17, 2013, May 10, 2013; no reports filed from January 2002

through May 2002; and zero production reported from June 2002 through March 2015, with no reports filed thereafter, show that the M. Lane Lease, Well No. 3(RRC No. 187426), has been inactive for a period greater than one year. Production from the subject well ceased prior to January 2002. Commission records show that the subject well has had plugging extensions off and on from October 1, 2011 to present, due to various rule violations and delinquent Form P-5 submittals.

13. No work-overs, re-entries, or subsequent operations have taken place on any of the subject wells within the last twelve months; none of the subject wells have been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14; and no plugging extensions are in effect for any of the subject wells as allowed by Statewide Rule 14. The subject wells are not otherwise in compliance with Statewide Rule 14.
14. Usable quality groundwater in the area may become contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores, in violation of Statewide Rules 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.
15. The total estimated cost to the State for plugging the M. Lane Lease, Well No. 3 (RRC No. 187426), is \$13,176.00.
16. A Commission inspection report made on July 15, 2012 for the M. Lane Lease, Well No. 3 (RRC No. 187425), shows that Respondent caused or allowed an unauthorized discharge of produced water from the wellhead to affect an area measuring 150' x 75' with an unknown depth. Follow up inspections conducted on July 17, 2012, August 12, 2012, January 1, 2013, and January 17, 2013, indicated that the affected area now measured 80' x 45' x 1'. A follow up inspection made on May 10, 2013, showed the area had been turned and tilled and that there was no presence of the discharge at the time of the inspection.
17. Respondent did not have a permit for said discharges, nor were they authorized under Statewide Rules 8(d)(3), 8(e), 9, 46 or 98.
18. Unpermitted discharges of oil and gas waste, in violation of Statewide Rule 8(d)(1), can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution.
19. Commission District inspection reports made on July 17, 2012, August 20, 2012, and January 17, 2013 for the M. Lane Lease, Well No. 3 (RRC no. 187426), show that Respondent failed to backfill and compact a dry workover pit measuring 60' x 10' x 5'. Commission records show that the well was completed August 26, 2001. A follow up inspection made on May 10, 2013, showed the workover pit had been backfilled.
20. Pits that are not maintained, emptied and backfilled as required in Statewide Rule

8(d)(4)(G)(i)(III) may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution.

21. Respondent has had 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 chapters 89 and 91 of the Texas Natural Resources Code.
4. Respondent is in violation of Statewide Rules 3(1), 3(2), 14(b)(2), 8(d)(1) and 8(d)(4)(G)(i)(III). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.14(b)(2), 3.8(d)(1) and 3.8(d)(4)(G)(i)(III).
5. 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.
6. The documented violations committed by 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 § 81.0531(c).
7. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rules 3(1) and 3(2) which require that for 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, a sign shall be posted at the principal entrance which shall show the name by which the property is carried on the records of the Commission, the name of the operator, and the number of acres in the property.
8. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 14(b)(2), which requires that plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease and shall proceed with due diligence until completed.
9. Respondent is responsible for maintaining the subject leases in compliance with

Statewide Rule 8(d)(1), which prohibits operators from discharging oil and gas waste without a permit.

10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(G)(i)(III), which contains requirements for the dewatering, filling and compacting of pits.
11. Pursuant to TEX. NAT. RES. CODE § 81.0531, the Commission may assess administrative penalties against Respondent for the subject violations of up to \$10,000 per day for each violation, with each day such violations continued constituting a separate violation.
12. An assessed administrative penalty in the amount of THIRTEEN-THOUSAND FOUR HUNDRED NINETY-NINE DOLLARS (\$13,499.00) is justified considering the facts and violations at issue.
13. 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, Javan Khazali, and any other organization in which he may hold a position of ownership or control, is subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code.

**IT IS ORDERED THAT** within 30 days from the day immediately following the date this order becomes final:

1. Royal Texan Energy Co. (Operator No. 732104) shall place the M. Lane Lease, Well No. 3 (RRC No. 187426) and the M. Lane Lease, Well No. 3 (RRC no. 187426) in compliance with Statewide Rules 3(1), 3(2), 14(b)(2), 8(d)(1) and 8(d)(4)(G)(i)(III), an any other applicable Commission rules and statutes.
2. Royal Texan Energy Co. (Operator No. 732104) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTEEN-THOUSAND FOUR HUNDRED NINETY-NINE DOLLARS (\$13,499.00)**.

It is further **ORDERED** that 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, Javan Khazali, and any other organization in which he may hold a position of ownership or control, shall be subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code 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.

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. A party is presumed to have been notified of the Commission's order three days after the date 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 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 21<sup>st</sup> day of June, 2016.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order  
dated June 21, 2016)

JNC / rnf