

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0298511

ENFORCEMENT ACTION AGAINST TRI ENERGY RESOURCES, INC. (OPERATOR NO. 868574) FOR VIOLATIONS OF STATEWIDE RULES ON THE FARMER, ANNA BETH LEASE, WELL NO. 9 (DRILLING PERMIT NO. 747885), BIG FOUR (TANNEHILL) FIELD, KNOX COUNTY, TEXAS

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 August 25, 2016 and that the respondent, Tri Energy Resources, Inc., failed to appear or respond to the Notice of 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. Tri Energy Resources, Inc. (Operator No. 868574), was sent the Original Complaint and Notice of Hearing by certified and first class mail, addressed to the most recent Commission Form P-5 (Organization Report) (“Form P-5”) address. Respondent’s officers and agents as identified on the Form P-5—Robert Arrowood, Cathy Arrowood, and Jeff King—were each sent the Original Complaint and Notice of Hearing by certified and first class mail, addressed to their last known addresses.
2. The certified mail envelopes containing the Original Complaint and Notice of Hearing addressed to Respondent, Robert Arrowood, Cathy Arrowood, and Jeff King were returned to the Commission between July 8, 2016 and July 29, 2016. The first class mail to Jeff King was returned. No other first class mail was returned. Record of the return of the certified mail has been on file 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 May 12, 2005, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Robert Arrowood, President; and Cathy Arrowood, Vice President.

4. Robert Arrowood was in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, 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 in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
6. Respondent's Form P-5 is active. Respondent has a \$50,000 cash deposit as its financial assurance on file with the Commission.
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 the Farmer, Anna Beth Lease, Well No. 9 (Drilling Permit 747885), by filing an Application for Permit to Drill (Commission Form W-1), received September 7, 2012, issued September 18, 2012.
9. A Commission inspection report made on September 25, 2015 for the Farmer, Anna Beth Lease, Well No. 9 shows that the sign or identification required to be posted at the well was missing.
10. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3(2), may cause confusion as to the responsible operator to be contacted and the actual location of the violation or emergency, which can result in delays in remedying a violation or emergency.
11. On September 18, 2012, Respondent was issued a permit to drill Well No. 9 of the Farmer, Anna Beth Lease. According to Commission records, on August 15, 2014, surface casing was set in the well. Commission inspection reports made on August 17, 2015 and September 25, 2015 for the subject lease show an open reserve pit at Well No. 9 measuring approximately 50'x30'x4' deep.
12. Reserve pits and mud circulation pits that are not maintained, emptied and backfilled, as set forth in Statewide Rule 8(d)(4)(H)(i)(I), 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 be discharged to surface or subsurface waters, causing pollution.
13. According to Commission records, on August 15, 2014, surface casing was set in Well No. 9 of the Farmer, Anna Beth Lease. Commission inspection reports made on August 17, 2015 and September 25, 2015 for the Farmer, Anna Beth Lease show Well No. 9 is open to the atmosphere.

14. Wells left uncontrolled or open to the atmosphere, in violation of Statewide Rule 13(a)(6)(A), may discharge oil and gas waste onto the land surface and affect the health of humans and animals; these discharges may eventually make their way to surface or subsurface waters, causing pollution.
15. Commission inspection reports made on August 17, 2015 and September 25, 2015, and the total absence of production reports filed by Respondent since being issued the drilling permit on September 18, 2012, show that the Farmer, Anna Beth Lease, Well No. 9 has been inactive for a period greater than one year. According to Commission records, Well No. 9 has never produced.
16. No work-overs, re-entries, or subsequent operations have taken place on the subject well within the last twelve months; the subject well has not been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14; and no plugging extension is in effect for the subject well as allowed by Statewide Rule 14. The subject well is not otherwise in compliance with Statewide Rule 14.
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 well. Unplugged wellbores, in violation of Statewide Rule 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.
18. The total estimated cost to the State for plugging the Farmer, Anna Beth Lease, Well No. 9 is \$10,500.00.
19. According to Commission records, on August 15, 2014, surface casing was set in Well No. 9 of the Farmer, Anna Beth Lease. A review of Commission records reveals that Respondent has failed to file the requisite completion report despite completion of the well.
20. Should a well need to be re-entered for any reason, the wellbore documentation provided in reports set forth in Statewide Rule 16(b) is necessary to safely and efficiently carry out the replugging, recompletion, reworking, or other action.
21. Respondent has a history of violations of Commission rules as reflected by the following Commission enforcement Oil & Gas Docket Nos.: 7B-0286180 and 09-0297001.

CONCLUSIONS OF LAW

1. Proper notice was issued by the 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 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(2), 8(d)(4)(H)(i)(I), 13(a)(6)(A), 14(b)(2) and 16(b)(1). 16 TEX. ADMIN. CODE §§ 3.3(2), 3.8(d)(4)(H)(i)(I), 3.13(a)(6)(A), 3.14(b)(2), and 3.16(b)(1).
5. 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).
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(2), which requires that each well site that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, name of the operator and the well number.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(H)(i)(I), which requires that reserve pits and mud circulation pits be maintained, emptied and backfilled within one year of cessation of drilling operations.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(a)(6)(A), which requires that surface control of all wells be maintained with wellhead assemblies.
9. Respondent is responsible for maintaining the subject lease 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, unless the operator is eligible for and obtains an extension of the plugging deadline.
10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires proper completion reports to be filed within ninety days after completion of the well or within one hundred fifty days after the date on which the drilling operation is completed, whichever is earliest, or within thirty days of plugging a dry hole.
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 TWENTY-ONE THOUSAND TWO HUNDRED THIRTY-NINE DOLLARS (\$21,239.00) is justified considering the facts and violations at issue.
13. As persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Robert Arrowood and Cathy Arrowood, and any other organization in which either or both may hold a position of ownership or control, are 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. Tri Energy Resources, Inc. shall place the Farmer, Anna Beth Lease, Well No. 9 in compliance with Statewide Rules 3(2), 8(d)(4)(H)(i)(I), 13(a)(6)(A), 14(b)(2), and 16(b)(1), and any other applicable Commission rules and statutes.
2. Tri Energy Resources, Inc. shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY-ONE THOUSAND TWO HUNDRED THIRTY-NINE DOLLARS (\$21,239.00)**.

It is further **ORDERED** that as persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Robert Arrowood and Cathy Arrowood and any other organization in which either or both 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 27th day of September, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated September 27, 2016.)

JNC/rnf