

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0300867

ENFORCEMENT ACTION AGAINST AEGIS FLUID MANAGEMENT LLC (OPERATOR NO. 008551) FOR VIOLATIONS OF STATEWIDE RULES ON THE BOWERS, J.W. LEASE (LEASE NO. 14570), WELL NOS. 3, 4, 5, 9, 10, 13, 15, 16, 17, 19, AND 21, WILBARGER COUNTY REGULAR FIELD, WILBARGER 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 October 20, 2016 and that the respondent, Aegis Fluid Management LLC, 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. Aegis Fluid Management LLC (“Respondent”), Operator No. 008551, was sent the Original Complaint and Notice of Opportunity for 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— Reagan Beason and Pamela Gail Beason —were each sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known addresses.
2. According to the United States Postal Service website, there is no record of delivery of the certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing sent to the Respondent. The first class mail envelope sent to Respondent was not returned. Both the certified mail envelopes sent to Mr. and Ms. Beason were returned on August 30, 2016 and September 2, 2016; both first class mail envelopes sent to Mr. and Ms. Beason were also returned. Record of the delivery and return of 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 April 14, 2016, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Reagan Beason and Pamela Gail Beason.
4. Reagan Beason 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. Pamela Gail Beason 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.
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 Bowers, J.W. Lease (Lease No. 14570), Well Nos. 3, 4, 5, 9, 10, 13, 15, 16, 17, 19, and 21, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective April 1, 2015, approved April 13, 2015.
9. Commission inspection reports made on May 10, 2016, and May 31, 2016, for the Bowers, J.W. Lease, show that the signs or identification required to be posted at Well Nos. 3, 4, 9, 10, 13, 16, 17, and 19 were 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. Commission inspection reports made on May 10, 2016, and May 31, 2016, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production reports filed by Respondent with the Commission since June 2014, show that the Bowers, J.W. Lease, Well Nos. 3, 4, 5, 9, 10, 13, 15, 16, 17, 19, and 21 have been inactive for a period greater than one year. Production from the subject wells ceased on or before June 2014.
12. 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.

13. 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, in violation of Statewide Rule 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.
14. The total estimated cost to the State for plugging the Bowers, J.W. Lease, Well Nos. 3, 4, 5, 9, 10, 13, 15, 16, 17, 19, and 21 is \$55,800.00.
15. A Commission inspection report made on May 10, 2016 for the Bowers, J.W. Lease show that Well No. 4 had tubing open to the atmosphere and that Well No. 16 had casing open to the atmosphere. A Commission inspection report made on May 31, 2016, for the Bowers, J.W. Lease show that Well No. 21 had tubing open to the atmosphere.
16. 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.
17. Commission inspection reports made May 10, 2016, and May 31, 2016 on the Bowers, J.W. Lease show that Respondent failed to construct a firewall around the tank battery, which was 100 feet from Farm to Market 2585.
18. Failing to erect a dike or fire wall as required by Statewide Rule 21(j) can cause fires.
19. Respondent has no prior history of violations of Commission rules.

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), 13(a)(6)(A), 14(b)(2), and 21(j). 16 TEX. ADMIN. CODE §§ 3.3(2), 3.13(a)(6)(A), 3.14(b)(2), and 3.21(j).

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 13(a)(6)(A), which requires that surface control of all wells be maintained with wellhead assemblies.
8. 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.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 21(j), which requires that dikes or fire walls be erected and kept around all permanent oil tanks or battery of tanks that are within the corporate limits of any city, town or village or where such tanks are closer than 500 feet to any highway or inhabited dwelling or closer than 1,000 feet to any school or church, or where such tanks are located as to be deemed by the Commission to be an objectionable hazard.
10. 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.
11. An assessed administrative penalty in the amount of FIFTY-EIGHT THOUSAND THREE HUNDRED EIGHTY-FOUR DOLLARS (\$58,384.00) is justified considering the facts and violations at issue.
12. 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, Reagan Beason and Pamela Gail Beason, 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. Aegis Fluid Management, LLC shall place the Bowers, J.W. Lease, Well Nos. 3, 4, 5, 9, 10, 13, 15, 16, 17, 19, and 21 in compliance with Statewide Rules 3(2), 13(a)(6)(A), 14(b)(2), and 21(j), and any other applicable Commission rules and statutes.
2. Aegis Fluid Management, LLC shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTY-EIGHT THOUSAND THREE HUNDRED EIGHTY-FOUR DOLLARS (\$58,384.00)**.

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, Reagan Beason and Pamela Gail Beason 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 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.

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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 6th day of December.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated December 6, 2016)

JNC/rnf