

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 7B-0301321

ENFORCEMENT ACTION AGAINST SHILYNN, INC. (OPERATOR NO. 777346) FOR VIOLATIONS OF STATEWIDE RULES ON THE STROBEL, C.W. (17267) LEASE, WELL NOS. 1, 2, 3, 4, 5, 8, 12, 14, 15, 19, 20, 21, 23, 27, 28, 29, 30, 31, 33, AND 37, MADEWELL (CROSS CUT) FIELD, EASTLAND 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 13, 2016 and that the respondent, Shilynn, Inc., 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. Shilynn, Inc. ("Respondent"), Operator No. 777346, was sent the Original Complaint and Notice of Opportunity for Hearing and Original Complaint by certified and first class mail, addressed to the most recent Commission Form P-5 Organization Report ("Form P-5") address. Respondents' officers and agents as identified on the Form P-5, Kacy Wayne Price, President and Rose Lavonne Price, Vice President, were each sent the Original Complaint and Notice of Opportunity for Hearing and Original Complaint by certified and first class mail, addressed to their most recent Form P-5 organization report address, at P.O. Box 7077, Abilene, TX 79608.
2. The Certified Mail envelope containing the Notice of Opportunity for Hearing and Original Complaint was unopened and returned by the Respondent on September 27, 2016. The first-class mail was not returned. Record of the 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 August 11, 2015, Rose Lavonne Price, Vice President, an officer, filed a Form P-5 with the Commission reporting that its officers consist of the following individual(s): Kacy Wayne Price and Rose Lavonne Price.

4. Kacy Wayne Price 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. Rose Lavonne Price 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 delinquent. Respondent had a \$50,000 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.
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 Stroebel, C. W. (17267) Lease, Well Nos. 1, 2, 3, 4, 5, 8, 12, 14, 15, 19, 20, 21, 23, 27, 28, 29, 30, 31, 33, and 37, Madewell (Cross Cut) Field, Eastland County, Texas, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective March 24, 2014, approved April 30, 2015.
9. A Commission District inspection report made on May 16, 2016, for the Stroebel, C. W. (17267) Lease, indicated that open casing at Well No. 33 caused a hydrocarbon leak which ran from the well into a stock pond.
10. Commission District inspection reports made on June 28, 2016 and September 19, 2016 for the Stroebel, C. W. (17267) Lease indicated three hydrocarbon spills, one measuring approximately 360 feet by 60 feet, one at Well No. 33 measuring approximately 700 feet by 120 feet, and one at Well No. 23 measuring 60 feet by 20 feet.
11. 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.
12. 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.
13. Respondent has no prior history of violations of Commission rules.
14. Commission District inspection reports made on April 11, 2016, May 16, 2016, June 28, 2016 and September 19, 2016 for the Stroebel, C. W. (17267) Lease showed that Well Nos. 1, 2, 12, 14, 19, 20, 21, 29, 31, and 33 have casing and tubing open to the atmosphere, that Well Nos. 3, 5, 23, 27, and 28 have casing open to the atmosphere, and that Well Nos. 4, 8, and 37 have tubing open to the atmosphere.

15. 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.

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 8(d) [16 Tex. Admin. Code § 3.8(d)] on the Stroebel, C. W. (17267) Lease, Well No. 33, Madewell (Cross Cut) Field, Eastland County, Texas.
5. Respondent is in violation of Statewide Rules 8(d)(1) [16 Tex. Admin. Code § 8(d)(1)] on the Stroebel, C. W. (17267) Lease, Well Nos. 23 and 33, Madewell (Cross Cut) Field, Eastland County, Texas.
6. Respondent is in violation of Statewide Rules 13(a)(6)(A) [16 Tex. Admin. Code § 3.13(a)(6)(A)] on the Stroebel, C. W. (17267) Lease, Well Nos. 1, 2, 3, 4, 5, 8, 12, 14, 19, 20, 21, 23, 27, 28, 29, 31, 33, and 37, Madewell (Cross Cut) Field, Eastland County, Texas.
7. 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).
8. Respondent is responsible for maintaining the subject lease in compliance with SWR 8(d) which prohibits the pollution of surface water.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
10. 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.

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 EIGHT THOUSAND FIVE HUNDRED DOLLARS (\$8,500.00) 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, Kacy Wayne Price and Rose Lavonne Price and any other organization in which they 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:

SHILYNN, INC. (Operator No. **777346**) shall place the Strobel, C.W. (17267) Lease, Well Nos. 1, 2, 3, 4, 5, 8, 12, 14, 15, 19, 20, 21, 23, 27, 28, 29, 30, 31, 33, and 37, Madewell (Cross Cut) Field, Eastland County, Texas in compliance with Statewide Rules 8(b), 8(d)(1), and 13(a)(6)(A) and any other applicable Commission rules and statutes.

SHILYNN, INC. (Operator No. **777346**) is hereby assessed, by the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of EIGHTY-FOUR THOUSAND FIVE HUNDRED FORTY DOLLARS (\$84,540.00).

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, Kacy Wayne Price and Rose Lavonne Price and any other organization in which they 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 the Commission's Order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code §2001.142, by agreement under Tex. Gov't Code §2001.147, or by written Commission Order issued pursuant to Tex. Gov't Code §2001.146(e). 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 Commission Order is signed.

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 6th day of December, 2016.

RAILROAD COMMISSION OF TEXAS

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

MFE/see