

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 01-0301319**

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**ENFORCEMENT ACTION AGAINST EAGLE FORD OIL CO., INC. (OPERATOR NO. 238351) FOR VIOLATIONS OF STATEWIDE RULES ON THE ETHRIDGE -B- (04469) LEASE, WELL NOS. 1, 2, 3, 5, AND 7, AND TANK BATTERY, LULING-BRANYON FIELD, CALDWELL 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 27, 2016 and that the respondent, Eagle Ford Oil Co., 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. Eagle Ford Oil Co., Inc. (“Respondent”), Operator No. 238351, 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: Eagle Ford Oil Co., Inc., 5858 Westheimer Rd., Ste 688, Houston, TX 77057, C T Corporation, Resident Texas Agent, Eagle Ford Oil Co., Inc., 5858 Westheimer Rd., Ste 688, Houston, TX 77057, and John Koutozianes, President, Eagle Ford Oil Co., Inc., 5858 Westheimer Rd., Ste 688, Houston, TX 77057. Respondent’s officer as identified on the Form P-5—John Koutozianes— was sent the Original Complaint and Notice of Hearing by certified and first class mail, addressed to his last known address.
2. The certified mail envelope addressed to the Respondent containing the Original Complaint and Notice of Hearing was returned on October 3, 2016. The certified mail envelopes addressed to C T Corporation, Resident Texas Agent and John Koutozianes, President were returned on September 27, 2016. All of the first class mail was returned on September 29, 2016. All envelopes were returned unopened and marked “Return to Sender.” 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. Eagle Ford Oil Co., Inc. filed its first Form P-5 with the Commission in March 2011. On March 9, 2015, Respondent, a Corporation, filed its most recent Form P-5 with the Commission reporting that its officers consist of the following individual: John Koutozianes, President.
4. John Koutozianes 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. Respondent's Form P-5 is delinquent. Respondent had a \$250,000 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.
6. Respondent designated itself to the Commission as the operator of the Ethridge -B- (04469) Lease, Well Nos. 1, 2, 3, 5, and 7, by filing Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective April 1, 2011, approved April 8, 2011.
7. Commission inspection reports made on April 28, 2016, May 5, 2016, and May 25, 2016, for the Ethridge -B- (04469) Lease, show that the signs or identification required to be posted at the tank was missing, in violation of Statewide Rule 3.
8. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3(3), 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.
9. Commission inspection reports made on April 28, 2016, May 5, 2016 and May 25, 2016, for the Ethridge -B- (04469) Lease show oil had flowed out of the firewall and through the adjacent pasture, affecting an area approximately 528 square feet.
10. 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.
11. 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.
12. Commission inspection reports made on April 28, 2016, May 5, 2016, and May 25, 2016, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production since July 2014, for the Ethridge -B- (04469) Lease, Well Nos. 1, 2, 3, 5, and 7, show that the subject wells have been inactive for a period greater than one year. Production from the subject wells ceased on or before July 2014.

13. No work-overs, re-entries, or subsequent operations have taken place on either of the subject wells within the last twelve months; neither 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 either of the subject wells as allowed by Statewide Rule 14. The subject wells are not otherwise in compliance with Statewide Rule 14.
14. The total estimated cost to the State for plugging the the Ethridge -B- (04469) Lease, Well Nos 1, 2, 3, 5, and 7 is \$76,370.00.
15. The hydrogen sulfide concentration of the Ethridge -B- (04469) Lease is in excess of 500 ppm and the lease is subject to the warning requirement of Statewide Rule 36(c)(5)(B). Commission inspection reports made on April 28, 2016, May 5, 2016, and May 25, 2016 for the Ethridge -B- (04469) Lease show that the sign required to be posted is missing, in violation of Statewide Rule 36(c)(5)(B).
16. Unmarked or illegibly marked sites that have a high concentration of sour gas, in violation of Statewide Rule 36(c)(5)(B), may result in failure to provide warning to alert the general public of the potential danger, resulting in possible injury or death to the exposed public.
17. The violations of Commission rules committed by Respondent are related to safety and the control of pollution. The affidavit of David Randle, Engineering Specialist, Field Operations of the Commission states that continuing violations of the Statewide Rules, as documented by the facts in the captioned docket, may result in irreparable harm. Sign violations may cause confusion in contacting the responsible operator and the actual location of the violation or emergency, which will cause delays in containing and remediating the violation or emergency. A well in violation of Rule 14 must be plugged in accordance with the technical requirements of Statewide Rule 14 in order to prevent pollution of usable quality surface or subsurface waters. Violations of Rule 8(d)(1) may cause pollution to surface and subsurface waters if not remediated to prevent seepage and run-off. Violations of Rule 36(c)(5)(B) in hydrogen sulfide fields are a danger to the public because of the risk of serious injury or dath upon exposure.
18. Respondent is responsible for prior violations of Commission statutes and rules as documented in the enforcement final orders for Oil & Gas Docket Nos. 01-0284468 and 01-0299799.

### **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 leases 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(3), 8(d)(1), 14(b)(2), and 36(c)(5)(B). 16 TEX. ADMIN. CODE §§ 3.3(3), 3.8(d)(1), 3.14(b)(2), and 3.36(c)(5)(B).
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(3), which requires that each tank battery that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, commission lease number, name of the operator, number of acres in the property and if commingled, include the commingling permit number.
7. Respondent is responsible for maintaining the Ethridge -B- (04469) Lease; Well Nos. 1, 2, 3, 5, and 7, and Tank Battery in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
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, 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 36(c)(5)(B), which requires that storage tanks, which are utilized as a part of a production operation, and which are operated at or near atmospheric pressure, and where the vapor accumulation has a hydrogen sulfide concentration in excess of 500 ppm, shall have a warning sign posted on or within 50 feet of the facility to alert the general public of the potential danger.
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 **TWENTY-THREE THOUSAND EIGHT HUNDRED SEVEN DOLLARS (\$23,807.00)** is justified considering the facts and violations at issue, consisting of one Statewide Rule 3(3) violation at \$1,000.00; one Statewide Rule 8(d)(1) violation totalling \$658.00 (\$500.00 plus \$.30 per square foot on 528 square feet); and five Statewide Rule 14(b)(2) violations totaling \$21,149.00

(\$2,000.00 for each well plus \$1.00 per foot on a total well depth of 11,149 feet); and one Statewide Rule 36(c)(5)(B) violation at \$1,000.00.

12. 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, John Koutozianes, 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. Eagle Ford Oil Co., Inc. (Operator No. 238351) shall place the Ethridge -B- (04469) Lease in compliance with Statewide Rules 3(3), 8(d)(1), 14(b)(2), and 36(c)(5)(B), any other applicable Commission rules and statutes.
2. Eagle Ford Oil Co., Inc. (Operator No. 238351) is assessed by the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY-THREE THOUSAND EIGHT HUNDRED SEVEN DOLLARS (\$23,807.00)**.

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, John Koutozianes, 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 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 24<sup>th</sup> day of January, 2017.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order  
dated January 24, 2017)

RML/dac