

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0298683

ENFORCEMENT ACTION AGAINST PARADIGM OPERATING INC. (OPERATOR NO. 638917) FOR VIOLATIONS OF A STATEWIDE RULE ON THE ROBERTS, DON & RUBY (21550) LEASE, WELL NOS. 3, 4D, 5 AND 6, VOSS (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 December 8, 2016 and that the respondent, Paradigm Operating 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. Paradigm Operating Inc. (“Respondent”), Operator No. 638917, 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: Paradigm Operating Inc., P.O. Box 338, Austin, TX 78767. Respondent's officer and agent as identified on the Form P-5-Baker, Roland R., Resident Texas Agent and Vellardite, Vince, President/Vice President-were each sent the Original Complaint and Notice of Opportunity for Hearing by Certified and First Class mail, addressed to their last known address: Roland Baker, RA, Paradigm Operating Inc. P.O. Box 338, Austin, TX 78767; Vince Vellardite, President, Paradigm Operating Inc, 2701 Gulf Blvd. St. Petersburg, FL 33785.
2. The Certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing was received by the Respondent and Roland Baker, RA on September 22, 2016. The Certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing sent to Vince Vellardite, President, was returned to the Commission on October 3, 2016. The First Class mail for the Respondent and Roland Baker, RA was not returned. The First Class mail for Vince Vellardite, President, was returned to the Commission on September 29, 2016. 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 September 28, 2015, Respondent, a Corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individual: Vince Vellardite.
 4. Vince Vellardite 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 \$50,000 bond as its financial assurance at the time of the last Form P-5 annual renewal submission.
 6. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
 7. Respondent designated itself to the Commission as the operator of the Roberts, Don & Ruby (21550), Well Nos 3, 4D, 5, and 6, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective May 20, 2014, approved June 5, 2014.
 8. Commission inspection reports completed on September 2, 2015, September 4, 2015, and October 2, 2015, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production reports being filed with the Commission, since March 2014, show the Roberts, Don & Ruby (21550) Lease, Well Nos. 3, 4D, 5, and 6 have been inactive for a period greater than one year. Production from the subject wells ceased on or before March 2014.
 9. 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.
 10. An affidavit signed on December 12, 2016 by David Randle of the Field Operations Section of the Commission states that a well that is 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. Usable quality groundwater in the area can become 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.

11. The total estimated cost to the State for plugging the Roberts, Don & Ruby (21550) Lease, Well Nos. 3, 4D, 5, and 6 is \$26,800.00.
12. 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 Rule 14(b)(2). 16 TEX. ADMIN. CODE § 3.14(b)(2).
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 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.
7. 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.
8. An assessed administrative penalty in the amount of **FIFTEEN THOUSAND NINE HUNDRED THIRTY-SEVEN DOLLARS (\$15,937.00)** is justified considering the facts and violations at issue, consisting of four violations of Statewide Rule 14(b)(2) at \$2,000.00 each, plus \$1.00 per foot on a total well depth of 7,937 feet.
9. As a person in a position of ownership or control of Respondent at the time Respondent violated the Commission rule related to safety and the control of pollution, Vince Vellardite, and any other organization in which he 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. Paradigm Operating Inc. (Operator No. 638917) shall place the Roberts, Don & Ruby (21550) Lease, Well Nos. 3, 4D, 5 and 6 in compliance with Statewide Rule **14(b)(2)** and any other applicable Commission rules and statutes.
2. Paradigm Operating Inc. (Operator No. 638917) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTEEN THOUSAND NINE HUNDRED THIRTY-SEVEN DOLLARS (\$15,937.00)**.

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, Vince Vellardite 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 24th day of January, 2017

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

MFE/dac