

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 02-0299462

ENFORCEMENT ACTION AGAINST HOUSTON GULF ENERGY CORPORATION (OPERATOR NO. 402723) FOR VIOLATIONS OF STATEWIDE RULES ON BOEHL LEASE, WELL NO. 2 (RRC ID 238215), POWDER RIVER (CONSOLIDATED) FIELD, GOLIAD 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 June 2, 2016 and that the respondent, Houston Gulf Energy Corporation, 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. **HOUSTON GULF ENERGY CORPORATION** ("Respondent"), Operator No. 402723, 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, Donald Petrillo, Resident Texas Agent; John Erhman, President & Director – Special Projects; Darrell Evans, Vice-President; and Audrey Zatopec, Regulatory Compliance, were each sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known address at Houston Gulf Energy Corporation, 16945 Northchase, Ste. 2200, Houston, TX 77060.
2. The certified mail envelope containing the Original Complaint and the Notice of Opportunity for Hearing was received by Houston Gulf Energy Corporation, Donald Petrillo, Resident Texas Agent; John Erhman, Director – Special Projects; Darrell Evans, Vice-President; and Audrey Zatopec, Regulatory Compliance on May 14, 2016, to each at 16945 Northchase Dr. Houston, TX 77060. The first class mail was not returned. Record of the delivery of certified mail to each officer 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 1, 2016, Respondent, a Corporation, filed a Form P-5 with the commission reporting that its officers consist of the following individual(s): John Erhman, Darrell Evans, and Audrey Zatopec.
4. **JOHN ERHMAN** was in a position of ownership or control of Respondent, as defined in section 91.114(a)(2) of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
5. **DARRELL EVANS** was in a position of ownership or control of Respondent, as defined in section 91.114(a)(2) of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
6. **AUDREY ZATOPEC** was in a position of ownership or control of Respondent, as defined in section 91.114(a)(2) of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
7. Respondent's Form P-5 is active. Respondent had a \$50,000 cash bond as its financial assurance at the time of the last Form P-5 annual renewal submission.
9. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
10. Respondent designated itself to the Commission as the operator of the Boehl Lease, Well No. 2 (RRC ID 238215), by filing a Drilling Permit (Commission Form W-1) filed July 15, 2008.
11. At a Commission inspection made on February 17, 2015, the District inspector placed a seal (RRC #241986) on the Boehl Lease, Well No. 2 (RRC ID 238215). A Commission District inspection report made on July 17, 2015, shows that this seal was broken. At a Commission District inspection made on August 13, 2015, the District inspector removed the broken seal and replaced it with a new seal (RRC #241969).
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 TEX. NAT. RES. CODE § 85.3855(a)(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. By breaking RRC seal #241986, Respondent has violated TEX. NAT. RES. CODE § 85.3855(a)(2)
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.

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. **HOUSTON GULF ENERGY CORPORATION**, Operator No. 402723, shall place the Boehl Lease, Well No. 2 (RRC ID 238215) in compliance with applicable Commission rules and statutes.
2. **HOUSTON GULF ENERGY CORPORATION**, Operator No. 402723, shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500)**.

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 Erhman, Darrell Evans, and Audrey Zatopec 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 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 24th day of January, 2017.

RAILROAD COMMISSION OF TEXAS

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

RML/see