

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 8A-0300365**

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**ENFORCEMENT ACTION AGAINST TYCOON OPERATING COMPANY, INC. (OPERATOR NO. 875260) FOR VIOLATIONS OF STATEWIDE RULES ON THE PLAINS RANCH (69864) LEASE, WELL NOS. 1, 2, AND 3, FITZGERALD, EAST (SAN ANDRES) FIELD, YOAKUM 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 August 18, 2016, and that the respondent, Tycoon Operating Company, 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. Tycoon Operating Company, Inc., ("Respondent"), Operator No. 875260, 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—Matthew Nerbonne—was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to his last known address.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing were returned to the Commission. The first class mail was returned as well. Record of the attempted 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 11, 2013, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individual: Matthew Nerbonne, President.
4. Matthew Nerbone 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.
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 Plains Ranch (69864) Lease, Well Nos. 1, 2, and 3 by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective March 11, 2011, approved November 28, 2012.
8. Commission District inspection reports made on April 11, 2016, and April 26, 2016, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production reports filed by Respondent with Commission since December 2013, show that the Plains Ranch (69864) Lease, Well Nos. 1, 2, and 3, have been inactive for a period greater than one year. Production from the subject wells ceased in November 2013.
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. 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 Plains Ranch (69864) Lease, Well Nos. 1, 2, and 3, is \$69,900.00.
12. According to Commission records, drilling operations were completed on April 1, 2012 for Well No. 2 and October 18, 2012 for Well No. 3 of the Plains Ranch (69864) Lease. Commission District inspection reports made on June 9, 2015, September 3, 2015, February 11, 2016, April 11, 2016, and April 26, 2016 for the Plains Ranch (69864) Lease indicated open drilling pits at Well Nos. 2 and 3 measuring approximately 108' x 144' and 120' x 144', respectively.
13. Reserve pits and mud circulation pits that are not maintained, emptied and backfilled, as set forth in Statewide Rule 8(d)(4)(H)(i)(I), may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may be discharged to surface or subsurface waters, causing pollution.

14. 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 responsible for maintaining a current organizational report a current mailing address for the entity and any owner of more than 25% ownership interest in the entity, in compliance with Statewide Rule 3.1. 16 TEX. ADMIN. CODE § 3.1
5. Respondent is in violation of Statewide Rules 14(b)(2) and 8(d)(4)(H)(i)(I). 16 TEX. ADMIN. CODE §§ 3.14(b)(2) and 3.8(d)(4)(H)(i)(I).
6. 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).
7. 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.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(H)(i)(I), which requires that reserve pits and mud circulation pits be maintained, emptied and backfilled within one year of cessation of drilling operations.
9. 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.
10. An assessed administrative penalty in the amount of THIRTY-ONE THOUSAND, TWO HUNDRED AND THIRTY-SEVEN DOLLARS (\$31,237.00) is justified considering the facts and violations at issue.

11. 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, Matthew Nerbonne, 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. Tycoon Operating Company, Inc Operator No. 875260) shall place the Plains Ranch (69864) Lease, Well Nos. 1, 2, and 3, in compliance with Statewide Rules 14(b)(2), 8(d)(4)(H)(i)(I) and any other applicable Commission rules and statutes.
2. Tycoon Operating Company, Inc Operator No. 875260) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTY-ONE THOUSAND, TWO HUNDRED AND THIRTY-SEVEN DOLLARS (\$31,237.00)**.

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, Matthew Nerbonne 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 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 conference date, such as 24<sup>th</sup> day of January, 2017.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order  
dated January 24, 2016)

DAL/pbm