

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0300724

ENFORCEMENT ACTION AGAINST SABINAL RESOURCES, INC. (OPERATOR NO. 742124) FOR VIOLATIONS OF STATEWIDE RULES ON THE LAS VEGAS RANCH (12368) LEASE, WELL NO. 57, PEARSALL (AUSTIN CHALK) FIELD, DIMMIT 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 January 12, 2017 and that the respondent, Sabinal Resources, 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. Sabinal Resources, Inc. (“Respondent”), Operator No. 742124, 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: Sabinal Resources, Inc., 611 St Andrews Rd., Kingwood, Texas 77339. Respondent’s officers as identified on the Form – James Carl Yeatman, President and John Eugene Bradbury, VP/Sec – were each sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known address: James Carl Yeatman, President, Sabinal Resources, Inc., 611 St. Andrews Rd, Kingwood, Texas, 77339 and John Eugene Bradbury, Vice President, Sabinal Resources, Inc., 61 Blue Fox Road, The Woodlands, Texas 77380. Notice was also sent to the forwarding address of John Carl Yeatman at 105 Northampton Road, Natchez, Mississippi 39120-5274.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing that was sent to the Respondent, James Carl Yeatman, President, and John Eugene Bradbury, Vice President were returned unopened on December 13, 2016 and December 14, 2016 The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing was received by John Carl Yeatman, President at the forwarding address on December 8, 2016. The first-class mail addressed to the Respondent and James Carl Yeatman’s forwarding address was not returned. The first-class mail addressed to James Carl Yeatman, President and John Eugene Bradbury, Vice President

was returned unopened on December 16, 2016 and December 12, 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. Respondent filed its first Form P-5 with the Commission in 1999. On January 11, 2016, Respondent, a Corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: James Carl Yeatman, President and John Eugene Bradbury, Vice President.
4. James Carl Yeatman 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. John Eugene Bradbury 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 \$50,000.00 bond as its financial assurance at the time of the last Form P-5 annual renewal submission.
7. Respondent designated itself to the Commission as the operator of the Las Vegas Ranch (12368) Lease, Well No. 57, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective December 20, 1999, approved January 27, 2000.
8. Commission inspection reports made on December 28, 2015 and January 7, 2016 for the Las Vegas Ranch (12368) Lease show that access to the lease was prevented. The gate was locked and no key or combination had been provided to the Commission.
9. In the event of pollution or safety violation or other emergency, the lack of access to the lease, as required by Statewide Rule 2(a), may cause confusion as to the actual location of a violation or emergency. Such confusion can cause delays in containing and remediating the violation or emergency.
10. Commission inspection reports made on September 14, 2015, December 28, 2015, and January 7, 2016 for the Las Vegas Ranch (12368) Lease, show a release of hydrocarbon fluid inside the firewall. The fluid breached the firewall, affecting an area 3' x 75'.
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. The violations of Commission rules committed by Respondent are related to safety and the control of pollution. According to an Affidavit signed by Clay Woodul, Field Operations, on Statewide Rule 8(d)(1), "Any unauthorized discharge of disposal of oil, saltwater, basic sediment or other oil and gas waste is a potential source of pollution to surface and subsurface waters if not remediated to prevent seepage and run-off."
14. Commission inspection reports made on September 14, 2015, December 28, 2015, and January 7, 2016 for the Las Vegas Ranch (12368) Lease, show a release of hydrocarbon fluid inside the firewall. Although the Respondent began cleaning up the spill, the Respondent failed to complete the cleanup because two piles of contaminated soil from the spill have not been removed and cleaned. The Respondent has failed to demonstrate a final cleanup level of 1.0% by weight total petroleum hydrocarbons of soil contaminated by a crude oil spill.
15. By failing to achieve, as soon as technically feasible, a final cleanup level of 1.0% by weight total petroleum hydrocarbon of soil contaminated by a crude oil spill, the Respondent violated Statewide Rule 91(d)(1).
16. A violation of Statewide Rule 91(d)(1) is serious and a hazard to the public health and safety in that an improper cleanup of oil and gas waste can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution.
17. Respondent has a prior orders, documented under Oil & Gas Docket No. 01-0258274 which was entered March 23, 2010 for violations of Statewide Rules (14(b)(2), 16(b), and 8(d)(2) and Oil and Gas Docket No. 01-0262761, which was an Agreed Order entered June 12, 2012 for violations of Statewide Rules 14(b)(2), 14(b)(3), 3(1), and 3(2).

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 2(a), 8(d)(1), and 91(d)(1). 16 TEX. ADMIN. CODE §§ 3.2(a), 3.8(d)(1), and 3.91(d)(1).
5. Respondent is responsible for maintain the subject lease in compliance with Statewide Rule 2(a), which provides that the Commission or its representatives shall have access to come upon any lease or property operated or controlled by an operator, producer, or transporter of oil, gas, or geothermal resources, and to inspect any and all leases, properties, and wells and all records of said leases, properties, and wells.
6. 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.
7. Regarding Cleanup of Soil Contaminated by a Crude Oil Spill, Respondent is responsible for achieving a final cleanup leave of 1.0% by weight total petroleum hydrocarbons as soon as technically feasible, but not later than one year after the spill incident in complianc with Statewide Rule 91(d)(1).
8. 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.
9. An assessed administrative penalty in the amount of FOUR THOUSAND SEVENTY-FIVE DOLLARS (\$4,075.00) is justified considering the facts and violations at issue, consisting of one violation of Statewide Rule 8(d)(1) at \$1,075.00, one violation of Statewide Rule 2(a) at \$1,000.00, and one violation of Statewide Rule 91(d)(1), compliance only.
10. As persons in a position of ownership or control of Respondent at the time Respondent violated a Commission rule related to safety and the control of pollution, James Carl Yeatman and John Eugene Bradbury, and any other organization in which they 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. Sabinal Resources, Inc. (Operator No. 742124) shall place the Las Vegas Ranch (12368) Lease, Well No. 57 in compliance with Statewide Rules 2(a), 8(d)(1), and 91(d)(1), and any other applicable Commission rules and statutes.
2. Sabinal Resources, Inc. (Operator No. 742124) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of FOUR THOUSAND SEVENTY-FIVE DOLLARS (\$4,075.00).

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, James Carl Yeatman and John Eugene Bradbury 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 28th day of February, 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated February 28, 2017)

MFE/dac