

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0300411

ENFORCEMENT ACTION AGAINST BLACK PEARL OPERATING COMP., LLC (OPERATOR NO. 072713) FOR VIOLATIONS OF STATEWIDE RULES ON THE NORWOOD, JOHN H. ETAL (06173) LEASE, WELL NOS. 12 AND 14, K-M-A FIELD, WICHITA COUNTY; AND BOONE, T.R. (22580) LEASE, WELL NOS. 1S, 2S, 3S, 4S, AND 5S, WICHITA COUNTY REGULAR FIELD, WICHITA 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 October 6, 2016 and that the respondent, Black Pearl Operating Comp., LLC, 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. Black Pearl Operating Comp., LLC (“Respondent”), (Operator No. 072713) 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.
2. Two of Respondents’ officers and agents as identified on the Form P-5—Ali Alex Ghassemieh, and Babak Ghassemieh—were each sent the Original Complaint and Notice of Hearing by certified and first class mail, addressed to their last known address.
3. The certified mail envelopes containing the Original Complaint and Notice of Hearing were returned to the Commission unclaimed in September 2016. The first class mail was not returned. Record of return of the certified mail has been on file with the Commission for more than 15 days. 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.
4. Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Babak Ghassemieh, Manager, Ali Alex Ghassemieh, President, and Ali Sedigh, Vice President.
5. Babak Ghassemieh, Ali Alex Ghassemieh, and Ali Sedigh were 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.
7. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
8. Respondent designated itself to the Commission as the operator of the John H. Etal (06173) Lease, Well Nos. 12 and 14; and Boone, T.R. (22580) Lease, Well Nos. 1s, 2s, 3s, 4s, and 5s, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective March 1, 2005, approved March 8, 2005.
9. A Commission District inspection report made on February 5, 2016, shows that a sign or identification required to be posted at the lease entrance was missing.
10. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3(1), may cause confusion as to the responsible operator to be contacted and the actual location of a violation or emergency, which can result in delays in remedying a violation or emergency.
11. Commission District inspection reports made on February 5, 2016, March 7, 2016, and March 14, 2016, for the Norwood, John H. Etal. Lease, show that the signs or identification required to be posted at Well Nos. 12 and 14 were missing.
12. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3(2), 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.
13. Commission District inspection reports made on February 5, 2016, March 7, 2016, and March 14, 2016; and reports filed by Respondent with Commission (reflecting zero production) since March 2005, show that the Norwood, John H. Etal (06173) Lease, Well Nos. 12 and 14 have been inactive for a period greater than one year. Production from the subject wells ceased on or before March 2005 and have not resumed.
14. Commission inspection reports made on November 23, 2015, January 7, 2016, January 15, 2016, March 10, 2016 and March 23, 2016; and reports filed by Respondent with Commission (reflecting zero production) since March 2005, show that the Boone, T.R. (22580) Lease, Well Nos. 1S, 2S, 3S, 4S, and 5S, have been inactive for a period greater than one year. Production from the subject wells ceased on or before March 2005 and have not resumed.

15. 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.
16. 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.
17. The total estimated cost to the State for plugging the Norwood, John H. Etal (06173) Lease, Well Nos. 12 and 14 is \$28,000.00; and for the Boone, T.R. (22580) Lease, Well Nos. 1S, 2S, 3S, 4S, and 5S is \$23,500.00.
18. Commission District Inspection reports made on February 5, 2016, March 7, 2016, and March 14, 2016, for the Norwood, John H. Etal (06173) Lease indicates there were three spills located on the lease. One had an affected area measuring 50' x 50' x 3'. This spill has been remediated using state funds, as part of a state fund clean up program. Another spill measuring 5' x 5' x 2', and a flowline leak with an affected area measuring 20' x 4' x 2'.
19. 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.
20. 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.
21. 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 Rules 3(1), 3(2), 14(b)(2), 8(d)(1). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.14(b)(2), 3.8(d)(1).
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 leases in compliance with Statewide Rule 3(1) which requires that for each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility, a sign shall be posted at the principal entrance which shall show the name by which the property is carried on the records of the Commission, the name of the operator, and the number of acres in the property.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(2), which requires that each well site that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, name of the operator and the well number.
8. 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.
9. 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.
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 FORTY THOUSAND, TWO HUNDRED AND THIRTY-FOUR DOLLARS (\$40,234.00) is justified considering the facts and violations at issue.
12. As persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Alex Sedigh, Ali Alex Ghassemieh, and Babak Ghassemieh, and any other organization in which they 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. Black Pearl Operating Comp., LLC (Operator No. 072713) shall place The Norwood, John H. Etal (06173) Lease, Well Nos. 12 and 14; and Boone, T.R. (22580) Lease, Well Nos. 1S, 2S, 3S, 4S, and 5S, in compliance with Statewide Rules 3(1), 3(2), 14(b)(2), 8(d)(1) and any other applicable Commission rules and statutes.
2. Black Pearl Operating Comp., LLC (Operator No. 072713) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FORTY THOUSAND, TWO HUNDRED AND THIRTY-FOUR DOLLARS (\$40,234.00)**.

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, Alex Sedigh, Ali Alex Ghassemieh, and Babak Ghassemieh, 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.

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Done this 24th day of January 2017.

RAILROAD COMMISSION OF TEXAS

Signatures affixed by Default Master Order
dated January 24, 2017

DAL/pbm