

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 02-0302837

ENFORCEMENT ACTION AGAINST CREST PETROLEUM, LLC (OPERATOR NO. 189894) FOR VIOLATIONS OF STATEWIDE RULES ON THE MOODY, W.L. JR. LEASE (LEASE NO. 07878), WELL NO. 1, CARANCAHUA BAY, N. (VICTOR SAND) FIELD, JACKSON 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 March 17, 2017 and that the respondent, Crest Petroleum, LLC, 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. Crest Petroleum, LLC (“Respondent”), Operator No. 189894, 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—Victor C. Saied and Andrew B. Saied—were each sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known addresses.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent and its agents were returned to the Commission on February 9, 13 and March 7, 2017. The first class mail envelopes sent to Respondent and Victor Saied were returned. The first class mail sent to Andrew Saied was not returned. Record of the 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 January 12, 2015, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Victor C. Saied, Managing Member; and Andrew B. Saied, Member.
4. Victor C. Saied 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. Andrew B. Saied 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 \$230,000 letter of credit as its financial assurance at the time of Respondent's last Form P-5 annual renewal submission.
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 Moody, W.L. Jr. Lease (Lease No. 07878), Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective January 9, 2009, approved March 12, 2009.
9. Commission inspection reports made on August 29, 2016, and September 29, 2016, for the Moody, W.L. Jr. Lease, Well No. 1, show that the Commission's access to the lease was prevented because of a locked gate at the lease entrance.
10. 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.
11. Commission inspection reports made on August 29, 2016 and September 29, 2016 for the Moody, W.L. Jr. Lease, Well No. 1, show that the signs or identification required to be posted at the well was missing the name of the operator.
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 inspection reports made on January 21, 2016, May 23, 2016, August 29, 2016, and September 29, 2016, and the absence of production reports filed by the Respondent with the Commission since January 2016, show that the Moody, W.L. Jr. Lease, Well No. 1 has been inactive for a period greater than one year. Production from the subject well ceased on or before December 2011.
14. No work-overs, re-entries, or subsequent operations have taken place on the subject well within the last twelve months; the subject well has not been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14; and no plugging extension is in effect for the subject well as allowed by Statewide Rule 14. The subject well is not otherwise in compliance with Statewide Rule 14.
15. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject well. 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.
16. The total estimated cost to the State for plugging the Moody, W.L. Jr. Lease, Well No. 1 is \$74,529.00.
17. 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 2(a), 3(2) and 14(b)(2). 16 TEX. ADMIN. CODE §§ 3.2(a), 3.3(2), 3.3(3) and 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 2(a), which requires 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.
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 leases 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. 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 TWELVE THOUSAND FOUR-HUNDRED FIFTEEN DOLLARS (\$12,415.00) is justified considering the facts and violations at issue.
11. 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, Victor C. Saied and Andrew B. Saied, and any other organization in which either or both 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. Crest Petroleum, LLC shall place the Moody, W.L. Jr. Lease, Well No. 1 in compliance with Statewide Rules 2, 3(2), 3(3), and 14(b)(2), and any other applicable Commission rules and statutes.
2. Crest Petroleum, LLC shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWELVE THOUSAND FOUR-HUNDRED FIFTEEN DOLLARS (\$12,415.00)**.

It is further **ORDERED** that as 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, Victor C. Saied and Andrew B. Saied and any other organization in which either or both 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 Commission Order is signed. All pending motions and request for relief not previously granted or granted herein are denied.

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 25th day of April, 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated April 25, 2017)

JNC/rnf