

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0303188

ENFORCEMENT ACTION AGAINST AARON SETH PAYNE, DOING BUSINESS AS PAYNE PETROLEUM (OPERATOR NO. 646465) FOR VIOLATIONS OF STATEWIDE RULES ON THE FLORES, JACK LEASE (DRILLING PERMIT NO. 700025), WELL NO. 55, WILDCAT FIELD, CALLAHAN 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, Aaron Seth Payne, doing business as Payne Petroleum, 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. Aaron Seth Payne, doing business as Payne Petroleum, (“Respondent”) Operator No. 646465, was sent the First Amended 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—Aaron Seth Payne and Earl Burns, Inc.—were each sent the First Amended Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known addresses.
2. The certified mail envelope containing the First Amended Original Complaint and Notice of Opportunity for Hearing was received by Earl Burns, Inc., Respondent’s Resident Agent on February 9, 2017. The first class mail envelope sent to Earl Burns, Inc. was not returned. The remaining certified mail envelopes sent to Respondent were returned to the Commission on February 16, 2017; the first class mail envelopes were also returned. Record of the delivery 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 May 8, 2014, Respondent, a sole proprietorship, filed a Form P-5 with the Commission reporting that its officers consist of the following individual: Aaron Seth Payne, Owner.
4. Aaron Seth Payne 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 inactive. Respondent had a \$50,000 letter of credit as financial assurance at the time of Respondent's last Form P-5 annual renewal submission.
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 Flores, Jack Lease (Drilling Permit No. 700025), Well No. 55, by filing a Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-Enter), submitted August 2, 2010, approved August 10, 2010.
8. Commission inspection reports made on July 28, 2016, September 12, 2016, November 10, 2016, and December 9, 2016, and the absence of production reports filed by Respondent with the Commission, show that the Flores, Jack Lease, Well No. 55, has been inactive for a period greater than one year. The subject well never produced.
9. 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.
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 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.

The total estimated cost to the State for plugging the Flores, Jack Lease, Well No. 55 is \$15,000.00

11. Commission inspection reports made on July 28, 2016, September 12, 2016,

November 10, 2016, and December 9, 2016, and notification reported to the District Office on August 23, 2010, for the Flores, Jack Lease, Well No. 55, show that drilling operations ceased on August 22, 2010, for Well No. 55 when the long string casing was set. Respondent has not filed the completion report.

12. Should a well need to be re-entered for any reason, the wellbore documentation provided in completion and plugging reports as set forth in Statewide Rule 16(b) is necessary to safely and efficiently carry out the replugging, recompletion, reworking, or other action.
13. 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 14(b)(2) and 16(b). 16 TEX. ADMIN. CODE §§ 3.14(b)(2) and 3.16(b).
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 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.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires proper completion and plugging reports to be filed timely.
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 FIVE-THOUSAND FIVE HUNDRED DOLLARS (\$5,500.00) is justified considering the facts and violations at issue.
10. 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, Aaron Seth Payne 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. Respondent shall place the Flores, Jack Lease, Well No. 55 in compliance with Statewide Rules 14(b)(2) and 16(b), and any other applicable Commission rules and statutes.
2. Respondent shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE-THOUSAND FIVE HUNDRED DOLLARS (\$5,500.00)**.

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, Aaron Seth Payne 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 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