

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0302352

ENFORCEMENT ACTION AGAINST CRARUTH ENERGY CORPORATION (OPERATOR NO. 186685) FOR VIOLATIONS OF STATEWIDE RULES ON THE TERRY, EUGENE (25417) LEASE, WELL NOS. 1SW, AND 3, ROBY (FLIPPEN, LOWER) FIELD, FISHER COUNTY; AND HILL JONES-1 (29931) LEASE, WELL NO. 1, ROBY (FLIPPEN) FIELD, FISHER 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 23, 2017, and that the respondent, Craruth Energy Corporation, 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. Craruth Energy Corporation ("Respondent"), Operator No. 186685, 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: Craruth Energy Corporation, 1333 Ben Richey Dr, Abilene TX 79602. Respondent's officers as identified on the Form P-5—Craig, James, President; Craig, Karen, Secretary; and Hunter, Trent, Technical Assistant—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address: Craig, James, President, 1333 Ben Richey Dr, Abilene TX 79602; Craig, Karen, Secretary, 1333 Ben Richey Dr, Abilene TX 79602; and Hunter, Trent, Technical Assistant, 5141 Many Waters Dr, Abilene TX 79602.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was returned to the Commission unopened on March 2, 2017. The Certified Mail envelope addressed to Hunter, Trent was received on February 13, 2017. The Certified Mail envelopes addressed to Craig, James and Craig, Karen were returned to the Commission unopened on March 6, 2017. The first-class mail envelope addressed to Hunter, Trent was returned to the Commission on February 13, 2017. The first-class mail envelopes addressed to Respondent, Craig, James, and Craig, Karen were not returned. 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 2000. On December 29, 2015, Respondent, a Corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Craig, James.Craig, Karen; and Hunter, Trent.
4. Craig, James 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. Craig, Karen 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. Hunter, Trent 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.
7. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.
8. Respondent designated itself to the Commission as the operator of the Terry, Eugene (25417) Lease, Well Nos. 1SW, and 3, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective January 1, 2009, approved March 2, 2009.
9. Respondent designated itself to the Commission as the operator of the Hill Jones-1 (29931) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective August 9, 2006, approved July 9, 2007.
10. A Commission district inspection report made on June 30, 2016 for the Terry, Eugene (25417) Lease show an area of hydrocarbon pollution at the wellhead at Well No. 3 measuring approximately 400-square feet.
11. A Commission district inspection report made on June 30, 2016 for the Hill Jones-1 (29931) Lease show an area of hydrocarbon pollution at the wellhead at Well No. 1 measuring approximately 300-square feet.
12. 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.
13. 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.

14. Commission district inspection reports made on June 30, 2016, August 16, 2016, and September 29, 2016 for the Hill Jones-1 (29931) Lease show that Well No. 1 is leaking hydrocarbons from the wellhead.
15. Wells left uncontrolled or open to the atmosphere, in violation of Statewide Rule 13(a)(6)(A), may discharge oil and gas waste onto the land surface and affect the health of humans and animals; these discharges may eventually make their way to surface or subsurface waters, causing pollution.
16. Commission inspection reports made on June 30, 2016, August 16, 2016, and September 29, 2016, and the absence of reported production since September 2007, showed that the Terry, Eugene (25417) Lease, Well No. 1SW has been inactive for a period greater than one year. Production from the subject lease ceased on or before October 2007.
17. Commission inspection reports made on June 30, 2016, August 16, 2016, and September 29, 2016, and the absence of reported production since July 2006, showed that the Hill Jones-1 (29931) Lease, Well No. 1 has been inactive for a period greater than one year. Production from the subject lease ceased on or before August 2006.
18. No workovers, 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 extensions are in effect for the subject well as allowed by Statewide Rule 14.
19. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas waste 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.
20. According to an affidavit signed by Petar Buva, Field Operations, "Any wellbore, cased or otherwise, is a potential conduit for flow from oil or saltwater zones to zones of usable quality water or to the surface. Holes or leaks may develop in cased wells, allowing oil or saltwater to communicate with usable quality zones or to flow to the surface. Uncased wells allow direct communication between zones and provide unimpeded access to the surface."
21. The total estimated cost to the State for plugging the Terry, Eugene (25417) Lease, Well No. 1 is \$41,600.00. The total estimated cost to the State for plugging the Hill Jones-1 (29931) Lease, Well No. 1 is \$8,800.00.
22. Respondent has prior orders, document under Docket No. 7B-0300144 for violations of Statewide Rules 3(1), 3(2), and 14(b)(2) and 7B-0300298 for violations of Statewide Rules 8(d)(4)(H)(i)(III), 46(g)2, and 8(d)(1).

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 8(d)(1), 13(a)(6)(A), and 14(b)(2). 16 TEX. ADMIN. CODE §§ 3.8(d)(1), 3.13(a)(6)(A), 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 leases in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
7. Respondent is responsible for maintaining surface control of a well by using wellhead assemblies in compliance with Statewide Rule 13(a)(6)(A). Maintenance of surface control is necessary not only to prevent fluids from being discharged from the wellbore onto the ground surface, but also to prevent any oil and gas wastes present in the wellbore from being displaced to surface by influxes of surface water into the open wellbore.
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 **TWENTY-FIVE THOUSAND, SIX HUNDRED SEVENTY-FIVE DOLLARS (\$25,675.00)** is justified considering the facts and violations at issue.

11. As persons in positions of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Craig, James, Craig, Karen, and Hunter, Trent, and any other organization in which these individuals 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. Craruth Energy Corporation (Operator No. 186685) shall place the Terry, Eugene (25417) Lease, Well Nos. 1SW, and 3; and the Hill Jones-1 (29931) Lease, Well No. 1, in compliance with Statewide Rules 8(d)(1), 13(a)(6)(A), and 14(b)(2), and any other applicable Commission rules and statutes.
2. Craruth Energy Corporation (Operator No. 186685) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY-FIVE THOUSAND, SIX HUNDRED SEVENTY-FIVE DOLLARS (\$25,675.00)**.

It is further **ORDERED** that as persons in positions of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Craig, James, Craig, Karen, and Hunter, Trent, and any other organization in which these individuals 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 25th day of April, 2017.

RAILROAD COMMISSION OF TEXAS

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

CJH/dac