

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0302591

**ENFORCEMENT ACTION AGAINST CEGX OF TEXAS LLC (OPERATOR NO. 140712)
FOR VIOLATION OF A STATEWIDE RULE ON THE V. A. & A. W. POWERS (30290)
LEASE, WELL NO. 4, SHACKELFORD COUNTY REGULAR FIELD, SHACKELFORD
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 April 6, 2017, and that the respondent, CEGX of Texas 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. CEGX of Texas LLC ("Respondent"), Operator No. 140712, 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: CEGX of Texas LLC, 507 E Sadosa, Eastland TX 76448. The Original Complaint and Notice of Opportunity for Hearing were also sent to Respondent by certified and first-class mail, addressed to: CEGX of Texas LLC, 500 Chestnut Street, Suite 1615, Abilene TX 79602.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent at the Eastland address was received on March, 2, 2017. The Certified Mail envelope addressed to the Abilene address was returned to the Commission unopened on March 8, 2017. The first-class mail was 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 2014. On April 3, 2017, Respondent, a Ltd Liability Co, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Crawford, Timothy W. and Jorden, John.

4. Crawford, Timothy W. 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. Jorden, John 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 active-ext. Respondent had a \$50,000.00 cash deposit 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 V. A. & A. W. Powers (30290) Lease, Well No. 4, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective May 14, 2014, approved June 17, 2014.
8. A Commission district inspection report made on July 15, 2016 for the V. A. & A. W. Powers (30290) Lease shows a produced water soaked area at Well No. 4 measuring approximately 120' x 30' x 8". A follow-up inspection report made on August 23, 2016 shows the produced water pollution remains and now also contains five barrels of free-standing fluids. Also, the produced water had migrated to the north expanding the affected area to 375' x 30'. Inspection reports made on September 9, 2016 and October 5, 2016 shows a hydrocarbon soaked soil area measuring approximately 40' x 12' x 8" with produced water and white crystals north of the produced water battery.
9. 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.
10. 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.
11. The 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 Rule 8(d)(1). 16 TEX. ADMIN. CODE § 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 lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
7. 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.
8. An assessed administrative penalty in the amount of **FIVE THOUSAND, THIRTY-ONE DOLLARS (\$5,031.00)** is justified considering the facts and violations at issue.
9. 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, Crawford, Timothy W., and Jorden, John, 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. CEGX of Texas LLC (Operator No. 140712) shall place the V. A. & A. W. Powers (30290) Lease, Well No. 4, in compliance with Statewide Rule 8(d)(1), and any other applicable Commission rules and statutes.
2. CEGX of Texas LLC (Operator No. 140712) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE THOUSAND, THIRTY-ONE DOLLARS (\$5,031.00)**.

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, Crawford, Timothy W., and Jorden, John, 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