

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 04-0297598

ENFORCEMENT ACTION AGAINST AMERRIL ENERGY LLC (OPERATOR NO. 019786) FOR VIOLATION OF STATEWIDE RULE ON THE SMITH (189728) LEASE, WELL NO. 1, FLOUR BLUFF (DEEP CONSOL.) FIELD, NUECES 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, Amerril Energy 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. Amerril Energy LLC ("Respondent"), Operator No. 019786, 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: Amerril Energy LLC, 3721 Briarpark Dr Ste 155, Houston TX 77042. Respondent's officers as identified on the Form P-5—Chen, Suobin, Manager and Wen, Xindong, Manager—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address: Chen, Suobin, Manager, 11422 Gallant Ridge Ln, Houston TX 77082 and Wen, Xindong, Manager, 2828 Hayes Rd Apt 2623, Houston TX 77082.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent and Wen, Xindong were returned to the Commission unopened on February 16, 2017 and February 27, 2017, respectively. The Certified Mail envelope addressed to Chen, Suobin was received on February 13, 2017. The first-class mail envelope addressed to Respondent was returned to the Commission on February 21, 2017. The first-class mail envelopes addressed to Chen, Suobin and Wen, Xindong 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 2009. On April 12, 2016, Respondent, a Ltd Liability Co, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Chen, Suobin and Wen, Xindong.
4. Chen, Suobin 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. Wen, Xindong 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 \$650,000.00 bond 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 Smith (189728) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective January 1, 2010, approved January 19, 2010.
8. Commission inspection reports made on September 23, 2014, October 28, 2014, December 15, 2014, February 2, 2105, November 19, 2015, and January 22, 2016, for the Smith (RRC No. 189728) Lease, Well No. 1, indicate tubing and casing pressure between 1,850 and 2,000 psi with similar pressure readings on the surface casings. Respondent failed to notify the Commission of pressure on the well and further failed to test the well.
9. Wells that have pressure on the bradenhead, in violation of Statewide Rule 17(a), may result in a discharge of oil and gas waste into ground water and contamination of surface or subsurface waters, thereby resulting in pollution.
10. 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 17(A). 16 TEX. ADMIN. CODE § 3.17(A).
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 17(a), which requires that all wells be equipped with a bradenhead.
6. 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).
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 **THREE THOUSAND, FIVE HUNDRED DOLLARS (\$3,500.00)** 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, Chen, Suobin, and Wen, Xindong, 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. Amerril Energy LLC (Operator No. 019786) shall place the Smith (189728) Lease, Well No. 1, in compliance with Statewide Rule 17(A), and any other applicable Commission rules and statutes.
2. Amerril Energy LLC (Operator No. 019786) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THREE THOUSAND, FIVE HUNDRED DOLLARS (\$3,500.00)**.

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, Chen, Suobin, and Wen, Xindong, 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 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)

CHJ/dac