

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0303695

ENFORCEMENT ACTION AGAINST AUSCO TEXAS EXPLORATION, LLC (OPERATOR NO. 036933) FOR VIOLATIONS OF STATEWIDE RULES ON THE KRUEGER UNIT (277588) LEASE, WELL NO. 1, BIG -A- TAYLOR FIELD, BURLESON 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 27, 2017, and that the respondent, Ausco Texas Exploration, 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. Ausco Texas Exploration, LLC ("Respondent"), Operator No. 036933, 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: Ausco Texas Exploration, LLC, 702 Chestnut St No 203, Bastrop TX 78602. Respondent's officers as identified on the Form P-5—Ausco Petroleum, Inc., Member; Goss, Aaron James, Manager; Hart, William Mark, Manager; and Haugen, Lonny, Manager—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address: Ausco Petroleum, Inc., Member, 702 Chestnut St No 203, Bastrop TX 78602; Goss, Aaron James, Manager, 702 Chestnut St No 203, Bastrop TX 78602; Hart, William Mark, Manager, 702 Chestnut St No 203, Bastrop TX 78602; and Haugen, Lonny, Manager, 702 Chestnut St No 203, Bastrop TX 78602.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent, Ausco Petroleum, Inc., and Goss, Aaron James were returned to the Commission unopened on March 9, 2017. The USPS was unable to locate the Certified Mail envelopes addressed to, Hart, William Mark and Haugen, Lonny. The first-class mail envelopes were returned to the Commission on March 8, 2017. 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 2012. On October 7, 2014, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Ausco Petroleum, Inc.; Goss, Aaron James. Hart, William Mark; and Haugen, Lonny.
 4. Ausco Petroleum, Inc. 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. Goss, Aaron 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.
 6. Hart, William Mark 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. Haugen, Lonny 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.
 8. Respondent's Form P-5 is delinquent. Respondent had a \$25,000.00 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.
 9. Respondent designated itself to the Commission as the operator of the Krueger Unit (277588) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective May 1, 2015, approved September 18, 2015.
 10. Commission inspection reports made on November 8, 2016, December 20, 2016, and January 25, 2017 for the Krueger Unit (277588) Lease, show that the signs or identification required to be posted at the tank battery displayed incorrect information.
 11. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3(3), may cause confusion as to the responsible operator to be contacted and the actual location of a violation or emergency, which can result in delays in remedying a violation or emergency.
 12. Commission district inspection reports made on November 8, 2016, December 20, 2016, and January 25, 2017 for the Krueger Unit (277588) Lease, show an oil spill measuring approximately 75 square feet inside the firewall.
 13. 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.

14. 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.
15. Commission records reflect that on October 30, 2015, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of Respondent in the operation, or production, of oil or gas from the Krueger Unit (277588) Lease, that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws, to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
16. Commission records reflect that Respondent did not timely show compliance with all requirements of law for retention of the certificate of compliance and, as a result, the certificate of compliance for the Krueger Unit (277588) lease, was canceled, and Respondent given notice of such cancelation, on November 30, 2015.
17. Commission district inspection reports made on November 8, 2016, December 20, 2016, and January 25, 2017 for the Krueger Unit (277588) Lease, show Respondent produced from the lease after the certificate of compliance had been canceled and before a new certificate of compliance had been issued.
18. 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 Rules 3(3), 8(d)(1), and 73(i). 16 TEX. ADMIN. CODE §§ 3.3(3), 3.8(d)(1), and 3.73(i).
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 3(3), which requires that each tank battery that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, commission lease number, name of the operator, number of acres in the property and if commingled, include the commingling permit number.
7. 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.
8. Respondent is responsible for maintaining the subject well in compliance with Statewide Rule 73(i) and TEX. NAT. RES. CODE § 91.706, which requires the operator, upon notice from the Commission that a certificate of compliance has been cancelled, to not produce oil, gas, or geothermal resources until a new certificate of compliance has been issued by the Commission
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 **THREE THOUSAND, TWENTY-THREE DOLLARS (\$3,023.00)** 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, Ausco Petroleum, Inc., Goss, Aaron James, Hart, William Mark, and Haugen, Lonny, 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. Ausco Texas Exploration, LLC (Operator No. 036933) shall place the Krueger Unit (277588) Lease, Well No. 1, in compliance with Statewide Rules 3(3), 8(d)(1), and 73(i), and any other applicable Commission rules and statutes.
2. Ausco Texas Exploration, LLC (Operator No. 036933) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THREE THOUSAND, TWENTY-THREE DOLLARS (\$3,023.00)**.

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, Ausco Petroleum, Inc., Goss, Aaron James, Hart, William Mark, and

Haugen, Lonny, 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 23th day of May, 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated May 23, 2017)

CJH/dac

SERVICE LIST

GUD Docket No. 10606
Formal Complaint of OOGC America, LLC against
Williams MLP Operating, LLC and Mockingbird Midstream Gas Services, LLC
Administrative Law Judge: Dana A. Lewis
Technical Examiner: James R. Currier

PARTIES

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