

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0302046

ENFORCEMENT ACTION AGAINST RHC ENERGY (USA) LLC (OPERATOR NO. 704798) FOR VIOLATION OF STATEWIDE RULE ON THE MARY SPRING (250505) LEASE, WELL NO. 1H, APPLE SPRINGS (GLEN ROSE) FIELD, TRINITY 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, RHC Energy (USA) 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. RHC Energy (USA) LLC ("Respondent"), Operator No. 704798, 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: RHC Energy (USA) LLC, 550 Post Oak Blvd Suite 350, Houston TX 77027-9406. One of Respondent's officers as identified on the Form P-5—Arandjelovic, Zoran, Manager—was sent the Original Complaint and Notice of Opportunity for Hearing by first-class mail, addressed to his last known address: Arandjelovic, Zoran, Manager, 150 Jardin Drive Suite, Vaughan Ontario L4K 3P9, CANADA 00100. Respondent's other officers as identified on the Form P-5—Chavez, Lizbeth, Lease Records Analyst and Karlewicz, Robert William, Manager—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address: Chavez, Lizbeth, Lease Records Analyst, 2495 Sawdust Rd No 2441, Spring TX 77380 and Karlewicz, Robert William, Manager, 1545 Beaconsire Road, Houston TX 77077. Additionally, the Original Complaint and Notice of Opportunity for Hearing was sent to Respondent at another known address by certified and first-class mail: RHC Energy (USA) LLC, P.O. Box 9494, The Woodlands, TX 77387-9464.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent, Chavez, Lizbeth, and Karlewicz, Robert William were returned to the Commission unopened on March 3, 2017. The first-class mail envelopes addressed to Respondent, Arandjelovic, Zoran, Chavez, Lizbeth, and Karlewicz, Robert William were returned to the Commission unopened between February 28, 2017 and March 16, 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 2015. On January 14, 2016, Respondent, a Ltd Liability Co, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Arandjelovic, Zoran.Chavez, Lizbeth; and Karlewicz, Robert William.
4. Arandjelovic, Zoran 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. Chavez, Lizbeth 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. Karlewicz, Robert William 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 cash deposit 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 Mary Spring (250505) Lease, Well No. 1H, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective February 1, 2015, approved March 27, 2015.
9. Commission district inspection reports made on January 6, 2016, March 11, 2016, and April 14, 2016 for the Mary Spring (250505) Lease show multiple pieces of equipment and unfinished work remained on the lease. Commission Wellbore Data Records indicate the well was plugged on August 29, 2015. Inspection reports show that the cellar is open, there is no evidence of a top cement plug in the wellbore, and the casing has not been cut off below ground level. Also, a plugging contractor's trailer, a pallet of old cement stacks, two lift subs, and pieces of casing and tubing remain on location.
10. Failing to remove all tanks, vessels, related piping, loose junk and trash as set forth in Statewide Rule 14(d)(12) may cause pollution of surface and subsurface water.
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 14(d)(12). 16 TEX. ADMIN. CODE § 3.14(d)(12).
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 maintaining the subject lease in compliance with Statewide Rule 14(d)(2), which requires filling the rat hole, mouse hole, and cellar and emptying all tanks, vessels, related piping and flowlines that will not be actively used in continuing operation of the lease, within 120 days after plugging work is completed.
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 **TWO THOUSAND, FIVE HUNDRED DOLLARS (\$2,500.00)** 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, Arandjelovic, Zoran, Chavez, Lizbeth, and Karlewicz, Robert William, 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. RHC Energy (USA) LLC (Operator No. 704798) shall place the Mary Spring (250505) Lease, Well No. 1H, in compliance with Statewide Rule 14(d)(12), and any other applicable Commission rules and statutes.
2. RHC Energy (USA) LLC (Operator No. 704798) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND, FIVE HUNDRED DOLLARS (\$2,500.00)**.

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, Arandjelovic, Zoran, Chavez, Lizbeth, and Karlewicz, Robert William, 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)