

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0301765

ENFORCEMENT ACTION AGAINST HUNTER ENERGY, INC. (OPERATOR NO. 418929) FOR VIOLATIONS OF STATEWIDE RULES ON THE LANGFORD "C" (24127) LEASE, WELL NOS. 1, 6, and 10, JOHNSTON GAP (MARBLE FALLS) FIELD, PALO PINTO 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 May 4, 2017, and that the respondent, Hunter Energy, Inc., 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. Hunter Energy, Inc. ("Respondent"), Operator No. 418929, was sent the First Amended 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: Hunter Energy, Inc., 208 Holder Drive, Hurst TX 76053. Respondent's officers as identified on the Form P-5—Shadden, Darrel Wayne, President/Secretary and Shadden, Karen Dee, Vice President/Treasurer—were sent the First Amended Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address: Shadden, Darrel Wayne, President/Secretary, 208 Holder Drive, Hurst TX 76053 and Shadden, Karen Dee, Vice President/Treasurer, 4 Longhorn Rd, Mineral Wells TX 76067.
2. The certified mail envelopes containing the First Amended Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent and Shadden, Darrel Wayne were received on March, 14, 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 First Amended 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 1988. On March 27, 2015, Respondent, a Corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Shadden, Darrel Wayne and Shadden, Karen Dee.
4. Shadden, Darrel Wayne was in a position of ownership or control of Respondent, as defined in TEX. NAT. RES. CODE § 91.114, during the time period of the violations of Commission rules committed by Respondent.
5. Shadden, Karen Dee was in a position of ownership or control of Respondent, as defined in TEX. NAT. RES. CODE § 91.114, during the time period of the violations of Commission rules committed by Respondent.
6. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 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 Langford "C" (24127) Lease, Well Nos. 1, 6, and 10, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective April 1, 1995, approved April 17, 1995.
8. A Commission inspection report made on August 11, 2016 for the Langford "C" (24127) Lease, Well No. 10 shows that the sign or identification required to be posted at the well location displayed incorrect information.
9. Commission inspection reports made on January 19, 2016, March 31, 2016, and August 11, 2016 for the Langford "C" (24127) Lease, show that the signs or identification required to be posted at the tank battery was illegible.
10. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 3(2) and 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.
11. The violations of Commission rules committed by Respondent are related to safety and the control of pollution. According to an Affidavit signed by Petar Buva, Field Operations, on May 4, 2017 concerning Statewide Rule 3, "In the event of a pollution or safety violation or other emergency, the lack of legible signs and identification displaying correct information may cause confusion as to the responsible operator to be contacted and the actual location of the violation or emergency. Such confusion will cause delays in containing and remediating the violation or emergency, which is serious and may threaten the public health and safety."
12. Commission district inspection reports made on January 19, 2016, March 31, 2016, and August 11, 2016 for the Langford "C" (24127) Lease indicated four hydrocarbon-soaked soil areas: one area measuring approximately 4' x 4' north of the fiberglass tank; one area measuring 8' x 6' north of the silver poly tank; one

measuring 6' x 4' at the silver separator; and one are measuring 8' x 2' next to an older rusty separator.

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. The violations of Commission rules committed by Respondent are related to safety and the control of pollution. According to an Affidavit signed by Petar Buva, Field Operations, on May 4, 2017 concerning Statewide Rule 8(d)1, "Any unauthorized discharge of disposal of oil, saltwater, basic sediment or other oil and gas waste is a potential source of pollution to surface and subsurface waters if not remediated to prevent seepage and run-off."
16. Commission inspection reports made on January 19, 2016, March 31, 2016, and August 11, 2016, and the absence of reported production since April 2006, showed that the Langford "C" (24127) Lease, Well Nos. 6, and 10 have been inactive for a period greater than one year. Production from the subject lease ceased on or before May 2006. Commission records indicate that the last injection into Well No 1 was in August 2013 and that Well No. 1 was shut-in in June 2014.
17. 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.
18. 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.
19. According to an affidavit signed by Petar Buva, Field Operations on May 4, 2017, "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."
20. The total estimated cost to the State for plugging the Langford "C" (24127) Lease, Well Nos. 1, 6, and 10 is \$26,400.00.

21. Commission inspection reports made on January 19, 2016, March 31, 2016, and August 11, 2016 for the Langford "C" (24127) Lease, show that a proper firewall is needed to be constructed around the tank battery. The tank battery is located less than 100' from Highway 16.
22. Failing to erect a dike or firewall as required by Statewide Rule 21(j) can cause fires.
23. According to a May 4, 2017 affidavit signed by Petar Buva, Field Operations, on Statewide Rule 21(j) "Violation of Statewide Rule 21(j) is serious and a hazard to the public health and safety because failing to erect a firewall around permanent oil tanks or battery of tanks located closer than 500 feet of a highway may allow leaks or spills of crude oil and other produced liquids to come into contact with the general public and/or a source of ignition."
24. A Commission inspection report made on August 11, 2016 for the Langford "C" (24127) Lease, Well No. 1 indicate the tubing observation valve, the casing head observation valve, and the bradenhead observation valve were frozen and would not open safely.
25. Failing to follow safety precautions, as set forth in Statewide Rule 46(g)(2), can cause a hazard to the public health and safety.
26. According to a May 4, 2017 affidavit signed by Petar Buva, Field Operations, "The wellhead shall be equipped with a pressure observation valve on the tubing and for each annulus of the well."
27. 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 TEX. NAT. RES. CODE, Chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 3(2), 3(3), 8(d)(1), 14(b)(2), 21(j), and 46(G). 16 TEX. ADMIN. CODE §§ 3.3(2), 3.3(3), 3.8(d)(1), 3.14(b)(2), 3.21(j), and 3.46(G).
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(2), which requires that each well site that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, name of the operator and the well number.
7. 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.
8. 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.
9. Respondent is responsible for maintaining the subject lease 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.
10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 21(j), which requires that dikes or fire walls be erected and kept around all permanent oil tanks or battery of tanks that are within the corporate limits of any city, town or village or where such tanks are closer than 500 feet to any highway or inhabited dwelling or closer than 1,000 feet to any school or church, or where such tanks are located as to be deemed by the Commission to be an objectionable hazard.
11. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which provides that the wellhead shall be equipped with a pressure observation valve on the tubing and for each annulus of the well.
12. 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.
13. An assessed administrative penalty in the amount of **TWENTY-FIVE THOUSAND, SIX HUNDRED FIFTY-FOUR DOLLARS (\$25,654.00)** is justified considering the facts and violations at issue; consisting of one violation of Statewide Rule 3(2) for \$500.00; one violation of Statewide Rule 3(3) for \$1,000.00; four violations of Statewide Rule 8(d)(1) for \$500.00 per violation, plus \$0.30 per square foot of affected area, with a total area of 104 square feet, for a total Rule 8(d)(1) penalty of \$2,031.00; three violations of Statewide Rule 14(b)(2) for \$2,000.00 per violation, plus \$1.00 per foot of well depth, with a total well depth of 12,623 feet for

a total 14(b)(2) penalty of \$18,623.00; one violation of Statewide Rule 21(j) for \$2,500.00; and one violation of Statewide Rule 46(g)(2) for \$1,000.00.

14. 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, Shadden, Darrel Wayne, and Shadden, Karen Dee, and any other organization in which these individuals may hold a position of ownership or control, is subject to the restriction in TEX. NAT. RES. CODE § 91.114(a)(2).

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. Hunter Energy, Inc. (Operator No. 418929) shall place the Langford "C" (24127) Lease, Well Nos. 1, 6, and 10, in compliance with Statewide Rules 3(2), 3(3), 8(d)(1), 14(b)(2), 21(j), and 46(G), and any other applicable Commission rules and statutes.
2. Hunter Energy, Inc. (Operator No. 418929) 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 FIFTY-FOUR DOLLARS (\$25,654.00)**.

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, Shadden, Darrel Wayne, and Shadden, Karen Dee, and any other organization in which these individuals may hold a position of ownership or control, **shall be subject to the restriction in TEX. NAT. RES. CODE § 91.114(a)(2) 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)

MFE/dac