

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7C-0302783

ENFORCEMENT ACTION AGAINST CFO RESOURCES, INC. (OPERATOR NO. 120105) FOR VIOLATIONS OF STATEWIDE RULES ON THE MURR (15426) LEASE, WELL NOS. 1, AND 2, WILHELM LANE, W. (STRAWN, UPPER) FIELD, MENARD 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, CFO Resources, 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. CFO Resources, Inc. ("Respondent"), Operator No. 120105, 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") addresses: CFO Resources, Inc., 8041 S Padre Island Dr, Ste B 197, Corpus Christi TX 78412-5209; CFO Resources, Inc., 2726 Bissonnet St., Suite 240 #205, Houston, Texas 77005; and CFO Resources, Inc., 3323 N Midland Dr. Ste 113 500, Midland, TX 79707. Respondent's officers as identified on the Form P-5—Jones, Diana R., Vice President and Jones, Stephen J., President—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address: Jones, Diana R., Vice President, 3107 Linkwood Dr, Houston TX 77025 and Jones, Stephen J., President, 3107 Linkwood Dr, Houston TX 77025.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent and officers were received on March, 28, 2017 and March 25, 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 2007. On March 8, 2017, Respondent, a Corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Jones, Diana R. and Jones, Stephen J.
4. Jones, Diana R. 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. Jones, Stephen J. 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 Murr (15426) Lease, Well Nos. 1, and 2, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective March 1, 2007, approved March 27, 2007.
8. Commission inspection reports made on July 29, 2016, September 15, 2016, November 7, 2016, and November 30, 2016 for the Murr (15426) Lease, show that the signs or identification required to be posted at the lease entrance was missing.
9. Commission inspection reports made on July 29, 2016, September 15, 2016, November 7, 2016, and November 30, 2016 for the Murr (15426) Lease, Well No. 2 shows that the sign or identification required to be posted at the well location was missing.
10. Commission inspection reports made on July 29, 2016, September 15, 2016, November 7, 2016, and November 30, 2016 for the Murr (15426) Lease, show that the signs or identification required to be posted at the tank battery was missing required information.
11. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 3(1), 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.
12. Commission district inspection reports made on July 29, 2016, September 15, 2016 and November 7, 2016 for the Murr (15426) Lease show a spill of hydrocarbon contaminated water from an open-top tank. The spill was remediated by the Commission at a cost to the State of \$2,811.00.

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 district inspection reports made on October 21, 2015, November 20, 2015, July 29, 2016, September 15, 2016, November 7, 2016, and November 30, 2016 for the Murr (15426) Lease show the casing valve on Well No. 1 is open to the atmosphere and Respondent has failed to maintain surface control of the well. The land surface around the wellhead at Well No. 1 has become polluted due to the lack of surface control.
16. Wells left uncontrolled or open to the atmosphere, in violation of Statewide Rule 13(a)(6)(A), may discharge oil and gas waste onto the land surface and affect the health of humans and animals; these discharges may eventually make their way to surface or subsurface waters, causing pollution.
17. Commission inspection reports made on July 29, 2016, September 15, 2016, and November 7, 2016 for the Murr (15426) Lease, show that Respondent failed to properly screen an open-topped tank. No penalty is being sought for this violation; Commission staff requested corrective measures only.
18. Failing to properly screen or take other protective measures, as set forth in Statewide Rule 22(b), regarding open-top tanks, skimming pits, and/or collecting pits can cause harm to birds.
19. 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(1), 3(2), 3(3), 8(d)(1), 13(a)(6)(A), and 22(b). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.3(3), 3.8(d)(1), 3.13(a)(6)(A), and 3.22(b).

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(1), 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(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.
8. 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.
9. 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.
10. Respondent is responsible for maintaining surface control of a well by using wellhead assemblies in compliance with Statewide Rule 13(a)(6)(A). Maintenance of surface control is necessary not only to prevent fluids from being discharged from the wellbore onto the ground surface, but also to prevent any oil and gas wastes present in the wellbore from being displaced to surface by influxes of surface water into the open wellbore.
11. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 22(b), which requires open-top tanks, skimming pits, and collecting pits to be screened or otherwise rendered harmless to birds.
12. The Commission was authorized to clean and dispose the waste at the Murr (15426) Lease, Well Nos. 1 and 2, and is entitled to reimbursement pursuant to the TEX. NAT. RES. CODE § 91.113(f).
13. 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.

14. An assessed administrative penalty in the amount of **NINE THOUSAND, FIVE HUNDRED FORTY-FIVE DOLLARS (\$9,545.00)** is justified considering the facts and violations at issue.
15. 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, Jones, Diana R., and Jones, Stephen J., 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. CFO Resources, Inc. (Operator No. 120105) shall place the Murr (15426) Lease, Well Nos. 1, and 2, in compliance with Statewide Rules 3(1), 3(2), 3(3), 8(d)(1), 13(a)(6)(A), and 22(b), and any other applicable Commission rules and statutes.
2. CFO Resources, Inc. (Operator No. 120105) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND, FIVE HUNDRED FORTY-FIVE DOLLARS (\$9,545.00)** and **REIMBURSE** State Funds in the amount of **TWO THOUSAND, EIGHT HUNDRED ELEVEN DOLLARS (\$2,811.00)**.

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, Jones, Diana R., and Jones, Stephen J., 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