

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0304383

ENFORCEMENT ACTION AGAINST CFO RESOURCES, INC. (OPERATOR NO. 120105) FOR VIOLATIONS OF STATEWIDE RULES ON THE NORTHWEST LEVELLAND UNIT (65884) LEASE, WELL NOS. 1, 2, 4, 5, 7, AND 8, LEVELLAND FIELD, COCHRAN 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 25, 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") address: CFO Resources, Inc., Ste B 197, 8041 S Padre Island Dr, Corpus Christi TX 78412-5209. 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. Additionally, Respondent was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail to CFO Resources, Inc. 2726 Bissonnet St. Suite 240 #205, Houston, Texas 77005 and CFO Resources, Inc., 3323 N Midland Dr. Ste 113 500, Midland, Texas 79707.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent at the three addresses were received on April, 8, 2017 and April 10, 2017. The US Postal Service was unable to locate the delivery information for the Certified Mail envelopes addressed to Jones, Stephen J. and Jones, Diana R. 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 TEX. NAT. RES. CODE § 91.114, 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 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 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 Northwest Levelland Unit (65884) Lease, Well Nos. 1, 2, 4, 5, 7, and 8, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective August 1, 2010, approved August 5, 2010.
8. Commission inspection reports made on July 27, 2016, September 6, 2016, November 14, 2016, December 14, 2016, and March 2, 2017 for the Northwest Levelland Unit (65884) Lease, show that the signs or identification required to be posted at the tank battery was missing.
9. 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.
10. Commission district inspection reports made on July 27, 2016, September 6, 2016, November 14, 2016, December 14, 2016, and March 2, 2017 for the Northwest Levelland Unit (65884) Lease show unpermitted discharges of oil and gas waste at the tank battery where hydrocarbon contaminated water had leaked onto the land surface.
11. 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.
12. 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.
13. Commission district inspection reports made on July 27, 2016, September 6, 2016, November 14, 2016, December 14, 2016, and March 2, 2017 for the Northwest Levelland Unit (65884) Lease show the firewall around the tank battery has worn down and will not hold fluid in the event of a leak.

14. 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(3), 8(d)(1), and 21(j). 16 TEX. ADMIN. CODE §§ 3.3(3), 3.8(d)(1), and 3.21(j).
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 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.
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 **FOUR THOUSAND, TWO HUNDRED FORTY-EIGHT DOLLARS (\$4,248.00)** 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, 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 Northwest Levelland Unit (65884) Lease, Well Nos. 1, 2, 4, 5, 7, and 8, in compliance with Statewide Rules 3(3), 8(d)(1), and 21(j), 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 **FOUR THOUSAND, TWO HUNDRED FORTY-EIGHT DOLLARS (\$4,248.00)**.

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 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 6th day of June, 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated June 6, 2017)

CJH/dac