

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0304375

ENFORCEMENT ACTION AGAINST LAVACA RIVER OPERATING CO., LLC (OPERATOR NO. 489720) FOR VIOLATIONS OF STATEWIDE RULES ON THE WEST SANDY CREEK UNIT 1 LEASE, WELL NO. 1 (PERMIT NO. 744469), VARIOUS FIELD, COLORADO COUNTY; AND WEST SANDY CREEK UNIT 2 LEASE, WELL NO. 1 (PERMIT NO. 746047), VARIOUS FIELD, COLORADO 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 July 20, 2017, and that the respondent, Lavaca River Operating Co., 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. Lavaca River Operating Co., LLC ("Respondent"), Operator No. 489720, 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. Respondent's agent and officer as identified on the Form P-5—Roland R. Baker, Filing Agent and Thomas L. Pellegrini, Managing Member—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent, Roland R. Baker, and Thomas L. Pellegrini were received on July 18, 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. On July 22, 2016, Respondent, a Limited Liability Company filed a Form P-5 with the Commission reporting that its officer consists of the following individual: Thomas L. Pellegrini.

4. Thomas L. Pellegrini 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. 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.
6. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
7. Respondent designated itself to the Commission as the operator of the West Sandy Creek Unit 1, Lease, Well No. 1 (Drilling Permit No. 744469), by filing a Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-enter), submitted July 11, 2012, approved July 20, 2012.
8. Respondent designated itself to the Commission as the operator of the West Sandy Creek Unit 2, Lease, Well No. 1 (Drilling Permit No. 746047), by filing a Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-enter), submitted August 7, 2012, approved August 11, 2012.
9. Commission records indicate that Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-Enter) for the West Sandy Creek Unit 1 Lease, Well No. 1 (Drilling Permit No. 744469), was submitted by Respondent July 11, 2012, and approved July 20, 2012. Respondent notified the district office that the subject well was spud August 4, 2012. The Commission district inspection report made on February 23, 2017 for the subject well showed drilling operations were complete and that a wellhead was in place. Commission records indicate drilling operations were complete at least 150 days before the February 23, 2017 inspection report. Respondent failed to field the required completion report.
10. Commission records indicate that Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-Enter) for the West Sandy Creek Unit 2 Lease, Well No. 1 (Drilling Permit No. 746047), was submitted by Respondent August 7, 2012, and approved August 11, 2012. Respondent notified the district office that the subject well was spud August 17, 2012. The Commission district inspection report made on February 28, 2017 for the subject well showed drilling operations were complete and that a wellhead was in place. Commission records indicate drilling operations were complete at least 150 days before the February 28, 2017 inspection report. Respondent failed to field the required completion report.
11. Should a well need to be re-entered for any reason, the wellbore documentation provided in completion and plugging reports as set forth in Statewide Rule 16(b) is necessary to safely and efficiently carry out the replugging, recompletion, reworking, or other action.
12. 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 Rule 16(b). 16 TEX. ADMIN. CODE § 3.16(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 16(b), which requires proper completion and plugging reports to be filed timely.
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 continue constituting a separate violation.
8. An assessed administrative penalty in the amount of **FIVE THOUSAND DOLLARS (\$5,000.00)** is justified considering the facts and violations at issue.
9. As a person in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Thomas L. Pellegrini, and any other organization in which this individual 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. Respondent shall place the West Sandy Creek Unit 1 (744469) Lease, Well No. 1, and the West Sandy Creek Unit 2 (746047) Lease, Well No. 1, in compliance with Statewide Rule 16(b), and any other applicable Commission rules and statutes; and,

2. Respondent shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE THOUSAND DOLLARS (\$5,000.00)**.

It is further **ORDERED** that as a person in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Thomas L. Pellegrini, and any other organization in which this individual 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 15th day of August 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated August 15, 2017)

CJH/dac