

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 7B-0300572**

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**ENFORCEMENT ACTION AGAINST KOLLAO PROPERTIES LLC (OPERATOR NO. 474275) FOR VIOLATIONS OF STATEWIDE RULES ON THE R.L. HOUSE (09979) LEASE, WELL NOS. 1, 2A AND 3, EAST OVALO (GRAY 4100) FIELD, TAYLOR COUNTY, TEXAS**

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**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 January 18, 2018, and that the respondent, Kollao Properties LLC, failed to appear or respond to the First Amended Notice of Hearing. Pursuant to § 1.25 of the Commission's General Rules of Practice and Procedure, 16 TEX. ADMIN. CODE § 1.25, 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. Kollao Properties LLC ("Respondent"), Operator No. 474275, was sent the First Amended Original Complaint and First Amended Notice of 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 officers as identified on the Form P-5—Dean Jarrett, Judy Lynn Sosebee and Cynthia Laree Jarrett—were sent the First Amended Original Complaint and First Amended Notice of Hearing by certified and first-class mail, addressed to the last known addresses on November 3, 2017.
2. The certified mail envelopes containing the First Amended Original Complaint and First Amended Notice of Hearing addressed to the Respondent were returned to the Commission December 1 and 14, 2017. The certified mail envelope addressed to Dean Jarrett was received on November 6, 2017. The certified mail envelope addressed to Judy Lynn Sosebee was returned to the Commission on November 17, 2017. The certified mail envelope addressed to Cynthia Laree Jarrett was returned to the Commission December 14, 2017. The first-class mail envelopes addressed to Respondent and Cynthia Laree Jarrett were returned to the Commission. The first-class mail envelopes addressed to Dean Jarrett and Judy Lynn Sosebee were 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 First Amended Notice of Hearing. Respondent has not entered into an agreed settlement order, filed an answer or requested a hearing.

3. On March 22, 2012, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Dean Jarrett, President; Judy Lynn Sosebee, Vice President; and Cynthia Laree Jarrett, Secretary.
4. Dean Jarrett 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. Judy Lynn Sosebee 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. Cynthia Laree Jarrett 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.
7. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 letter of credit 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 R.L. House (09979) Lease, Well Nos. 1, 2A and 3, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective March 1, 2006.
9. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016, for the R.L. House (09979) Lease show that the sign or identification required to be posted at the lease entrance was missing.
10. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016 for the R.L. House (09979) Lease show that the sign or identification required to be posted at Well Nos. 1 and 3 were missing. The sign or identification required to be posted at Well No. 2A displayed the incorrect operator name.
11. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016 for the R.L. House (09979) Lease show that the sign or identification required to be posted at the tank battery was missing required information. The sign did not display the lease name or lease number.
12. 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.
13. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016 for the R.L. House (09979) Lease show that Well No. 1 was open to the atmosphere.
14. 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.
15. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016, and the absence of reported production since September 2010, show that the R.L. House (09979) Lease, Well Nos. 1 and 3 have been inactive for a period greater than one year. Production from the subject lease ceased on or before September 2010.
  16. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016, and the absence of reports filed with the Commission since January 2009, show that the R.L. House (09979) Lease, Well No. 2A has been inactive for a period greater than one year. Commission records show Well No. 2A was permitted as a secondary recovery well on November 19, 1986, UIC No. 000061762. The permit was cancelled July 7, 2016, due to no reported H-10 activity since 2008. Injection into the subject well ceased on or before January 2009.
  17. No workovers, re-entries, or subsequent operations have taken place on the subject wells within the last twelve months; the subject wells have 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 wells 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 wells. 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. The total estimated cost to the State for plugging the R.L. House (09979) Lease Well Nos. 1, 2A, and 3 is \$26,400.
  20. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016 on the R.L. House (09979) Lease show that Respondent had failed to properly screen an open-top fiberglass tank located by Well 2A where a cap of heavy oil is at the surface.
  21. In the First Amended Original Complaint, Commission enforcement staff does not seek a penalty for failing to properly screen, but does seek that Respondent be ordered to remedy the situation pursuant to Statewide Rule 22, to prevent harm to birds.
  22. Commission inspection reports made on January 7, 2016, February 18, 2016 and April 4, 2016, on the R.L. House (09979) Lease show that the casing observation valve is inoperable and there is not an observation valve on the tubing on Well No. 2A.

23. Without proper observation valves, pressure on the annulus of an injection well cannot be detected. Undetected and significant pressure on the annulus indicates a possible pollution hazard to usable water if leaks in the wellbore allow communication between the injected saltwater and the usable saltwater.
24. 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 chs. 89 and 91.
4. Respondent is in violation of Statewide Rules 3(1), 3(2), 3(3), 13(a)(6)(A), 14(b)(2), 22(b) and 46(g)(2). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.3(3), 3.13(a)(6)(A), 3.14(b)(2), 3.22(b) and 3.46(g)(2).
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 Rules 3(1), 3(2) and 3(3), which require 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 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.
8. 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.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 22(b), which requires that an operator screen, net, cover or

otherwise render harmless to birds certain categories of open-top tanks and pits associated with the exploration, development, and production of oil and gas.

10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which requires that a wellhead be equipped with a pressure observation valve on the tubing and for each annulus of the well.
11. 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.
12. An assessed administrative penalty in the amount of **TWENTY-FOUR THOUSAND FOUR HUNDRED EIGHTEEN DOLLARS (\$24,418.00)** is justified considering the facts and violations at issue.
13. 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, Dean Jarrett, Judy Lynn Sosebee and Cynthia Laree Jarrett, 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).

### ORDERING PROVISIONS

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

1. Kollao Properties LLC (Operator No. 474275) shall plug the R.L. House (09979) Lease, Well Nos. 1, 2A and 3, and place the subject lease in compliance with Statewide Rules 3(1), 3(2), 3(3), 13(a)(6)(A), 14(b)(2), 22(b) and 46(g)(2), and any other applicable Commission rules and statutes.
2. Kollao Properties LLC (Operator No. 474275) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY-FOUR THOUSAND FOUR HUNDRED EIGHTEEN DOLLARS (\$24,418.00)**.

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, Dean Jarrett, Judy Lynn Sosebee and Cynthia Laree Jarrett, 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 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 100 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 per day per violation.

Done this 13<sup>th</sup> day of February 2018.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master  
Order dated February 13, 2018)

JNC/mls