

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 7B-0306965**

---

**ENFORCEMENT ACTION AGAINST PROSPECTA ENERGY GROUP, INC. (OPERATOR NO. 681481) FOR VIOLATIONS OF STATEWIDE RULES ON THE PEARL (01481) LEASE, COUNTY, TEXAS; THE CENTRAL (20489) LEASE, WELL NOS. 1 AND 6, WALDROP (STRAWN) FIELD AND THE LEWIS (20851) LEASE, WELL NOS. 3 AND 4, EASTLAND COUNTY REGULAR FIELD, EASTLAND 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 January 25, 2018, and that the respondent, Prospecta Energy Group, Inc., failed to appear or respond to the Notice of Opportunity for 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. Prospecta Energy Group, Inc. ("Respondent"), Operator No. 681481, 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—Will Powers and James L. Marsh—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the last known addresses.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to Respondent was returned to the Commission on December 12, 2017. The certified mail envelopes addressed to Will Powers and James L. Marsh were received on December 4 and 5, 2017. No first-class mail was 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 January 14, 2016, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officer consists of the following individual: James L. Marsh, President and Vice President.

4. James L. Marsh 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. Respondent designated itself to the Commission as the operator of the Pearl (01481) Lease, Well No. 11, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective February 12, 2008.
7. Respondent designated itself to the Commission as the operator of the Central (20489) Lease, Well Nos. 1 and 6, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective February 12, 2008.
8. Respondent designated itself to the Commission as the operator of the Lewis (20851) Lease, Well Nos. 3 and 4, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective May 5, 2008.
9. Commission inspection reports made on March 28, 2017, May 9, 2017 and June 23, 2017, for the Pearl (01481) Lease show an unpermitted discharge from the gun barrel. The March 28, 2017 inspection report shows a quarter gallon of hydrocarbons was discharged and pooled on the cement pad around the tank. The June 23, 2017 inspection report shows the discharged was not remediated.
10. Commission inspection reports made on March 28, 2017, May 9, 2017 and June 23, 2017, for the Pearl (01481) Lease, Well No. 11, show an unpermitted discharge from the Well's gear box. The March 28, 2017 inspection report shows the ground surface affected by the discharge measured five feet by five feet. The June 23, 2017 inspection report shows the discharge was not remediated.
11. Commission inspection reports made on March 28, 2017, May 9, 2017 and June 23, 2017, for the Central (20489) Lease, Well No. 1, show an unpermitted discharge from the flowline connected to the Well. The March 28, 2017 inspection report shows the ground surface affected by the discharge measured four feet by four feet. The June 23, 2017 inspection report shows the discharge was not remediated.
12. Commission inspection reports made on March 28, 2017, May 9, 2017, and June 23, 2017, for the Central (20489) Lease, Well No. 6, show an unpermitted discharge from the Well's casing. The March 28, 2017 inspection report shows the ground surface affected by the discharge measured thirty-six feet by twenty feet. The June 23, 2017 inspection report shows the discharge was not remediated.
13. Commission District inspection reports made on March 28, 2017, May 9, 2017, and June 23, 2017, for the Lewis (20851) Lease, Well No. 3, show an unpermitted discharge from a one-inch line in the Well's tubing. The March 28, 2017 inspection report shows the ground surface affected by the discharge measured twelve feet

- by four feet. The June 23, 2017 inspection report shows the discharge was not remediated.
14. Commission inspection reports made March 28, 2017, May 9, 2017, and June 23, 2017, for the Lewis (20851) Lease, Well No. 4, show an unpermitted discharge from the Well's gear box. The March 28, 2017 inspection report shows the ground surface affected by the discharge measured twelve feet by ten feet. The June 23, 2017 inspection report shows the discharge was not remediated.
  15. Respondent did not have a permit for the discharges, nor were they authorized under Statewide Rules 8(d)(3), 8(e), 9, 46 or 98.
  16. 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.
  17. Commission inspection reports made on March 28, 2017, May 9, 2017, and June 23, 2017, for the Central (20489) Lease, show Well No. 6 open to the atmosphere. The wellhead was unable to maintain surface control.
  18. 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.
  19. The Respondent has a history of violation of the following Commission rules: Statewide Rules 3(1), 3(2), 13(b)(1)(B), 14(b)(2) and 16(b) in Commission Docket Nos. 7B-0283295 and 7B-0302354.

### **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 8(d)(1) and 13(a)(6)(A). 16 TEX. ADMIN. CODE §§ 3.8(d)(1), 3.13(a)(6)(A).
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 leases in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
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. 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.
9. An assessed administrative penalty in the amount of **SIX THOUSAND, TWO HUNDRED NINETY-SIX DOLLARS (\$6,296.00)** is justified considering the facts and violations at issue.
10. 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, James L. Marsh, 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).

### ORDERING PROVISIONS

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

1. Prospecta Energy Group, Inc. (Operator No. 681481) shall place the Pearl (01481) Lease, Well No. 11; Central (20489) Lease, Well Nos. 1 and 6; and the Lewis (20851) Lease, Well Nos. 3 and 4, in compliance with Statewide Rules 8(d)(1) and 13(a)(6)(A), and any other applicable Commission rules and statutes.
2. Prospecta Energy Group, Inc. (Operator No. 681481) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND TWO HUNDRED NINETY-SIX DOLLARS (\$6,296.00)**.

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, James L. Marsh, 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 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 27<sup>th</sup> day of February 2018.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master  
Order dated February 27, 2018)

JNC/mls