

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 7B-0313287**

**ENFORCEMENT ACTION AGAINST KSSO ENERGY, LLC (478408) FOR  
VIOLATIONS OF STATEWIDE RULES ON THE PAYNE, HANNAH (31862) LEASE,  
WELL NO. 1R, BROWN COUNTY REGULAR FIELD, BROWN 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 September 20, 2018, and that the respondent, KSSO Energy, LLC, 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. KSSO Energy, LLC ("Respondent"), Operator No. 478408, 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.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was returned to the Commission unopened on about September 6, 2018. 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's Form P-5 is delinquent. Respondent had a \$2,676.00 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.
4. Respondent designated itself to the Commission as the operator of the Payne, Hannah (31862) Lease, Well No. 1R, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective December 3, 2012.
5. Commission inspection reports made on April 19, 2018, May 31, 2018, and July 9, 2018, for the Payne, Hannah (31862) Lease, Well No. 1R shows that the sign or identification required to be posted at the well location was missing.
6. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3(2), 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.
7. Commission inspection reports made on May 31, 2018, and July 9, 2018, for the Payne, Hannah (31862) Lease, Well No.1R show a leak at the wellhead resulting in an area of hydrocarbon-soaked soil measuring 250 square feet.
  8. 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.
  9. 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.
  10. Commission inspection reports made on May 31, 2018, and July 9, 2018, show that an open workover pit remains at the well. Commission records indicate that the well was completed on December 18, 2012.
  11. Completion/workover pits used when completing or working over a well that are not maintained, emptied and backfilled, as set forth in Statewide Rule 8(d)(4)(H)(i)(III), may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may be discharged to surface or subsurface waters, causing pollution.
  12. Commission inspection reports made on April 19, 2018, May 31, 2018, and July 9, 2018, and the absence of reported production since September 2013, show that the Payne, Hannah (31862) Lease, Well No. 1R has been inactive for a period greater than one year. Production from the subject lease ceased on or before September 2013.
  13. No workovers, re-entries, or subsequent operations have taken place on the subject well within the last twelve months; the subject well has 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 well as allowed by Statewide Rule 14.
  14. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas waste from the subject well. 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.
  15. The total estimated cost to the State for plugging the Payne, Hannah (31862) Lease Well No. 1R is \$5,000.
  16. 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(2), 8(d)(1), 8(d)(4)(H)(i)(III) and 14(b)(2). 16 TEX. ADMIN. CODE §§ 3.3(2), 3.8(d)(1), 3.8(d)(4)(H)(i)(III) and 3.14(b)(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 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.
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 8(d)(4)(H)(i)(III), which requires a person who maintains or uses a completion or workover pit in conjunction with completing or working over a well to dewater the pit within 30 days and backfill and compact the pit within 120 days of completion of the well.
9. 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.
10. 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.

11. An assessed administrative penalty in the amount of **SIX THOUSAND NINE HUNDRED THIRTEEN DOLLARS (\$6,913.00)** is justified considering the facts and violations at issue.

### ORDERING PROVISIONS

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

1. KSSO Energy, LLC (Operator No. 478408) shall plug the Payne, Hannah (31862) Lease, Well No. 1R, and place the subject leases in compliance with Statewide Rules 3(2), 8(d)(1), 8(d)(4)(H)(i)(III), 14(b)(2) and any other applicable Commission rules and statutes.
2. KSSO Energy, LLC (Operator No. 478408) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND NINE HUNDRED THIRTEEN DOLLARS (\$6,913.00)**.

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 16<sup>th</sup> day of October 2018.

### RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master  
Order dated October 16, 2018)

JNC/mls