

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0313364

ENFORCEMENT ACTION AGAINST REGAL ENERGY OPERATING, L.L.C. (OPERATOR NO. 698690) FOR VIOLATION OF STATEWIDE RULE ON THE REGAL-IRBY LEASE, WELL NO. 1H (DRILLING PERMIT NO. 815651), SADLER (PENN.) FIELD, GRAYSON 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 October 25, 2018, and that the respondent, Regal Energy Operating, L.L.C., 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. Regal Energy Operating, L.L.C. ("Respondent"), Operator No. 698690, 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 October 10, 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. On September 23, 2015, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officer consists of the following individual: Brian Hardwick, Manager and Tery Gray, Manager.
4. 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.

5. Respondent designated itself to the Commission as the operator of the Regal-Irby Lease, Well No. 1H (Drilling Permit No. 815651), by filing a Commission Form W-1 (Application for Permit to Recomplete), received May 16, 2016, issued May 17, 2016.
6. On May 17, 2016, Respondent was issued a Permit for Recompletion for Well No. 1H (Drilling Permit No. 815651) of the Regal-Irby Lease. According to Commission records, Respondent failed to recomplete the subject well and instead plugged it on June 20, 2016. Commission district inspection reports made on May 11, 2017 and June 9, 2017 for the Regal-Irby (33542) Lease, Well No. 1H (Permit No. 815651), show the presences of an open completion pit measuring approximately 205 feet in diameter containing fluids. At the hearing, Enforcement stated that a backcheck Commission inspection report made on September 24, 2018, showed the violation had been resolved.
7. 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.
8. The Respondent has a history of violations of Commission Rules: (1) Oil & Gas Docket No. 09-0305867; Order Served April 10, 2018; Violation of Statewide Rule 14(b)(2) and (2) Oil & Gas Docket No. 09-0305970; Order Served April 10, 2018; Violation of Statewide Rule 14(b)(2).

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 Rule 8(d)(4)(H)(i)(III). 16 TEX. ADMIN. CODE § 3.8(d)(4)(H)(i)(III).
5. The documented violation 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 8(d)(4)(H)(i)(III), which requires that all completion and workover

pits used when completing or working over a well shall be dewatered within 30 days and backfilled and compacted within 120 days of well completion.

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 continued constituting a separate violation.
8. An assessed administrative penalty in the amount of **SEVEN THOUSAND DOLLARS (\$7,000.00)** is justified considering the facts and violations at issue.
9. As persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Brian Hardwick and Tery Gray, 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:

Regal Energy Operating, L.L.C. (Operator No. 698690) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SEVEN THOUSAND DOLLARS (\$7,000.00)**.

It is further **ORDERED** that as persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Brian Hardwick and Tery Gray, 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 23th day of January 2019.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated January 23, 2019)

KMR/pbm