

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0312532

ENFORCEMENT ACTION AGAINST GRAYSON, NHAN, SOLE PROPRIETOR, VISION OIL PRODUCTION (OPERATOR NO. 886197) FOR VIOLATIONS OF STATEWIDE RULES ON THE CALVIN, R. J. (07175) LEASE, WELL NOS. 1, 2, 3, 4, 5, 7, 9, 10, AND 11, YOUNG COUNTY REGULAR FIELD, YOUNG 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, Grayson, Nhan, Sole Proprietor, Vision Oil Production, 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. Grayson, Nhan, Sole Proprietor, Vision Oil Production ("Respondent"), Operator No. 886197, 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 on Pecan Street was returned to the Commission unopened on September 20, 2018. The Certified Mail envelope addressed to Respondent's PO Box was returned to the Commission unopened on September 24, 2018. The first-class mail envelopes were returned to the Commission on October 1, 2018. 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 December 9, 2014, Respondent, a sole proprietorship, filed a Form P-5 with the Commission reporting that its officer consists of the following individual: Grayson, Nhan.
4. Nhan Grayson 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 bond 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 Calvin, R. J. (07175) Lease, Well Nos. 1, 2, 3, 4, 5, 7, 9, 10, and 11, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective March 1, 2012, approved April 2, 2012.
7. A Commission District inspection report made on October 4, 2017 for the Calvin, R. J. (07175) Lease shows that the signs or identification required by Statewide Rule 3(2 and 3) [Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE § 3.3(2 and 3)] to be posted at each well and the tank battery, respectively, were missing from Well Nos. 2 and 7 and failed to identify the correct operator at the tank battery.
8. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 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.
9. A Commission District inspection report made on October 4, 2017 for the Calvin, R. J. (07175) Lease indicates oil-soaked soil measuring approximately 3'x 5'x 1' deep at Well No. 4, oil-soaked soil with standing puddles of oil measuring approximately 15'x 6'x 6" deep and extending approximately 50' from the well and down the lease road at Well No. 10, and oil-soaked soil with standing puddles of oil and water measuring approximately 15'x 5'x 6" deep at Well No. 11.
10. Respondent did not have a permit for said discharges, nor were they authorized under Statewide Rules 8(d)(3), 8(e), 9, 46 or 98.
11. 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.
12. Well No. 7 of the Calvin, R. J. (07175) Lease is a permitted injection well. A Commission District inspection report made on October 4, 2017, and the absence of reported injection into Well No. 7 since December 2014 and the absence of reported production from Well Nos. 1, 2, 3, 4, 5, 9, 10 and 11 since August 2015, show that the Calvin, R. J. (07175) Lease, Well Nos. 1, 2, 3, 4, 5, 7, 9, 10, and 11, have been inactive for a period greater than one year. Injection into Well No. 7 ceased in November 2014 and production from Well Nos. 1, 2, 3, 4, 5, 9, 10 and 11 ceased in July 2015.
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 Calvin, R. J. (07175) Lease Well Nos. 1, 2, 3, 4, 5, 7, 9, 10, and 11 is \$42,300.00.
16. A Commission District inspection report made on October 4, 2017 for the Calvin, R. J. (07175) Lease shows there is no bird netting on the open top tank.
17. Failing to properly screen or take other protective measures, as set forth in Statewide Rule 22(b), regarding open-top tanks, skimming pits, and/or collecting pits can cause harm to birds.
18. Well No. 7 of the Calvin, R. J. (07175) Lease is a permitted injection well. According to Commission records, Well No. 7 of the Calvin, R. J. (07175) Lease was due for a disposal/injection well pressure test on April 30, 2015. Commission records show Respondent has failed to pressure test the well.
19. Disposal/injection wells must pass a pressure test at least once every five years, or as required by permit, to show that the well is not leaking, the at waste is being confined to the permitted injection interval, and that the usable quality water zones are properly isolated. Any injection of fluid down a wellbore could be a potential source of pollution. Without testing and supporting documentation, as required by Statewide Rule 46(j), the Commission cannot determine if a well poses a threat to natural resources.
20. 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(2), 3(3), 8(d)(1), 14(b)(2), 46(j), and 22. 16 TEX. ADMIN. CODE §§ 3.3(2), 3.3(3), 3.8(d)(1), 3.14(b)(2), 3.46(j), and 3.22.

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 3(3), which requires that each tank battery that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, commission lease number, name of the operator, number of acres in the property and if commingled, include the commingling permit number.
8. 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.
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. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 22(b), which requires open-top tanks, skimming pits, and collecting pits to be screened or otherwise rendered harmless to birds.
11. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires a passing mechanical integrity test every five years.
12. 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.
13. An assessed administrative penalty in the amount of **THIRTY-FOUR THOUSAND, SIX HUNDRED FORTY-FIVE DOLLARS (\$34,645.00)** is justified considering the facts and violations at issue.
14. 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, Nhan Grayson, 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. Grayson, Nhan, Sole Proprietor, Vision Oil Production (Operator No. 886197) shall place the Calvin, R. J. (07175) Lease, Well Nos. 1, 2, 3, 4, 5, 7, 9, 10, and 11, in compliance with Statewide Rules 3(2), 3(3), 8(d)(1), 14(b)(2), 46(j), and 22, and any other applicable Commission rules and statutes.
2. Grayson, Nhan, Sole Proprietor, Vision Oil Production (Operator No. 886197) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTY-FOUR THOUSAND, SIX HUNDRED FORTY-FIVE DOLLARS (\$34,645.00)**.

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, Nhan Grayson, 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 23th day of January 2019.

RAILROAD COMMISSION OF TEXAS

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

KMR/pbm