

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 7B-0315565**

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**ENFORCEMENT ACTION AGAINST FERRARI ENERGY SERVICES LLC  
(OPERATOR NO. 266561) FOR VIOLATIONS OF STATEWIDE RULES ON THE  
BUCKAROO (31396) LEASE, WELL NO. 1, HASKELL COUNTY REGULAR FIELD,  
HASKELL 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 December 20, 2018, and that the respondent, Ferrari Energy Services 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. Ferrari Energy Services LLC ("Respondent"), Operator No. 266561, 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 received. 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 December 22, 2016, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officer consists of the following individual: Cary Lee Epley, Manager.
4. Cary Lee Epley 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 \$25,000.00 letter of credit 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 Buckaroo (31396) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective December 4, 2012, approved December 7, 2012.
7. Commission inspection reports made on August 15, 2018 and September 24, 2018, for the Buckaroo (31396) Lease show two hydrocarbon spills that Respondent has not remediated. The first is an area of hydrocarbon-soaked soil measuring approximately 70' x 30' inside the firewall. The second is an area of hydrocarbon-soaked soil measuring approximately 12' in diameter at Well No. 1.
8. 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.
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 August 15, 2018 and September 24, 2018 for the Buckaroo (31396) Lease show that Respondent has not equipped an open topped tank measuring 12 feet in diameter and containing floating hydrocarbons with netting or other bird protection.
11. Respondent's failure to equip the open top tank with a net or otherwise render it harmless to birds is a violation of Statewide Rule 22(b). This violation is serious and threatens wildlife because birds that land in a tank containing a surface film or accumulation of oil are likely to be injured or killed.
12. 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 8(d)(1), and 22(b). 16 TEX. ADMIN. CODE §§ 3.8(d)(1), and 3.22(b).
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 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
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 **TWO THOUSAND ONE HUNDRED SEVEN DOLLARS (\$2,107.00)** 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. Ferrari Energy Services LLC (Operator No. 266561) shall place the Buckaroo (31396) Lease, Well No. 1, in compliance with Statewide Rules 8(d)(1), and 22(b), and any other applicable Commission rules and statutes.
2. Ferrari Energy Services LLC (Operator No. 266561) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND ONE HUNDRED SEVEN DOLLARS (\$2,107.00)**.

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 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 parties are notified of this order in accordance with Tex. Gov't Code § 2001.144.

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.

Entered this 5<sup>th</sup> day of February 2019.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master  
Order dated February 5, 2019)