

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 00002033

ENFORCEMENT ACTION AGAINST SEVEN CROSS OPERATING, LLC (OPERATOR NO. 767834) FOR VIOLATIONS OF STATEWIDE RULE(S) ON THE MCIVER, RANKLIN (7B-16547) LEASE, WELL NO(S). 4, 5, AND 6, COLEMAN COUNTY REGULAR FIELD, COLEMAN COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that after statutory notice of the captioned enforcement proceeding Seven Cross Operating, LLC ("Respondent"), 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 Commissioners 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. Respondent, Operator No. 767834, 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 delivered on August 28, 2020. The first-class mail was not returned. Record of the delivery or 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.
3. On May 14, 2020, Respondent, a Limited Liability Company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Hunter McIver Storm and Loy Marshall Storm.
4. Hunter McIver Storm and Loy Marshall Storm were in positions of ownership or control of Respondent, as defined in Texas Natural Resources Code § 91.114, during the time period of the violations of Commission rules committed by Respondent.
5. Respondent designated itself to the Commission as the operator of the McIver, Ranklin (7B-16547) Lease, Well No(s). 4, 5, and 6, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective October 1, 2008, approved November 14, 2008.

6. Commission District inspection reports made on October 31, 2019, and December 2, 2019, for the McIver, Ranklin (7B-16547) Lease, Well No(s). 4, 5, and 6, show that the sign or identification required by Statewide Rule 3(1), [16 Tex. Admin. Code § 3.3(1)], to be posted at the lease entrance was missing. A Commission District inspection report made on January 30, 2020, shows that a sign was posted at the lease entrance.
7. Commission District inspection reports made on October 31, 2019, and December 2, 2019 for the McIver, Ranklin (7B-16547) Lease, Well No(s). 4, 5, and 6 show that the sign or identification required by Statewide Rule 3(2), [16 Tex. Admin. Code § 3.3(2)], to be posted at the well was missing. A Commission District inspection report made on January 30, 2020, shows that a sign was posted at the wells.
8. In the event of a pollution or safety violation or other emergency, the lack of legible signs and identification displaying correct information may cause confusion as to the responsible operator to be contacted and the actual location of the violation or emergency, resulting in delays in managing and remediating the violation or emergency.
9. Commission District inspection reports made on October 31, 2019, and December 2, 2019, for the McIver, Ranklin (7B-16547) Lease, Well No(s). 4, 5, and 6 indicate an area of hydrocarbon soaked soil at the tank battery measuring approximately 864 square feet, an area of hydrocarbon soaked soil at Well No. 4 measuring approximately 100 square feet, and an area of hydrocarbon soaked soil at Well No. 5 measuring approximately 81 square feet. A Commission District inspection report made on January 30, 2020, shows that the areas had been remediated.
10. Respondent did not have a permit for said discharges, nor were they authorized under Statewide Rule 8(d)(3) or 8(e), or under Statewide Rule 9, 46 or 98.
11. Unpermitted discharges of oil and gas waste can contaminate the land surface, affect the health of humans and animals, and result in pollution to surface or subsurface waters.
12. Commission District inspection reports made on October 31, 2019, and December 2, 2019 for the McIver, Ranklin (7B-16547) Lease, Well No(s). 4, 5, and 6, indicate two unpermitted pits at the tank battery, measuring approximately 100 square feet and 24 square feet respectively. A Commission District inspection report made on January 30, 2020, shows that the pits had been backfilled.
13. The use or maintenance of unpermitted pits may result in unpermitted discharges that may contaminate surface or subsurface waters, causing pollution.
14. Commission District inspection reports made on October 31, 2019, and December 2, 2019, for the McIver, Ranklin (7B-16547) Lease, Well No(s). 4, 5, and 6, indicate a dry workover pit measuring approximately 351 square feet at Well No. 5. A Commission District inspection report made on January 30, 2020, shows that the pit had been backfilled.
15. The continued maintenance of pits required to be emptied and backfilled may result in unpermitted discharges which may contaminate surface or subsurface waters, causing pollution.

CONCLUSIONS OF LAW

1. The Commission properly noticed 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 McIver, Ranklin (7B-16547) Lease, Well No(s). 4, 5, and 6 in compliance with all applicable Commission rules and Texas Natural Resource Code §§ 89 and 91.
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(1), [16 Tex. Admin. Code § 3.3(1)], which requires that a sign be posted at the principal entrance of the property, which must show the name of the property as carried on the records of the Commission, the name of the operator, and the number of acres in the property.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(2), [16 Tex. Admin. Code § 3.3(2)], which requires that a sign be posted at each well site, which must show the name of the property, the name of the operator, and the well number.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1) [16 Texas Admin. Code § 3.8(d)(1)], which requires persons disposing of oil and gas wastes by any method to have a permit to do so unless authorized under subsection (d)(3) or (e) of Statewide Rule 8, or under Statewide Rule 9, 46 or 98. Oil and gas wastes are defined in Statewide Rule 8(a)(26) [16 Texas Admin. Code § 3.8(a)(26)] to include materials to be disposed of or reclaimed, which have been generated in connection with activities associated with the exploration, development, and production of oil or gas. These materials include but are not limited to "saltwater, other mineralized water, sludge, spent drilling fluids, cuttings, waste oil, spent completion fluids, and other liquid, semi-liquid, or solid waste material." "To dispose" is defined in Statewide Rule 8(a)(24) [16 Texas Admin. Code § 3.8(a)(24)] to include "conducting, draining, discharging, emitting, throwing, releasing, depositing, burying, landfarming, or allowing to seep, or to cause or allow any such acts of disposal."
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(2) [16 Tex. Admin. Code § 3.8(d)(2)], which prohibits the use of any pit to store oil and gas waste without obtaining a permit to maintain or use such a pit. Pits requiring a permit include but are not limited to saltwater disposal pits, emergency saltwater storage pits, collecting pits, skimming pits, brine pits, brine mining pits, drilling fluid storage pits (other than mud circulation pits), drilling fluid disposal pits (other than reserve pits or slush pits), washout pits and gas plant evaporation/retention pits. Any person using or maintaining an unpermitted pit is required to dispose of all oil and gas wastes that are in the pit in an authorized manner and backfill and compact the pit in the time and manner required by the Director.

8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(H)(i)(III) [16 Tex. Admin. Code § 3.8(d)(4)(H)(i)(III)], which requires a person who maintains or uses a completion or workover pit to dewater the pit within 30 days and backfill and compact the pit within 120 days of the cessation of completion or workover operations.
9. Respondent violated Statewide Rule(s) 3(1), 3(2), 8(d)(1), 8(d)(2), and 8(d)(4)(H)(i)(III). 16 Tex. Admin. Code §§ 3.3(1), 3.3(2), 3.8(d)(1), 3.8(d)(2), and 3.8(d)(4)(H)(i)(III).
10. 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 Texas Natural Resource Code § 81.0531(c).
11. Pursuant to Texas Natural Resource 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.
12. An assessed administrative penalty in the amount of **THIRTEEN THOUSAND ONE HUNDRED FIFTEEN DOLLARS (\$13,115.00)** 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. Seven Cross Operating, LLC (Operator No. 767834) shall correct any outstanding violations of Statewide Rule(s) 3(1), 3(2), 8(d)(1), 8(d)(2), and 8(d)(4)(h)(i)(III) and any other applicable Commission rules and statutes on the subject lease and well(s).
2. Seven Cross Operating, LLC (Operator No. 767834) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTEEN THOUSAND ONE HUNDRED FIFTEEN DOLLARS (\$13,115.00)**

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 Texas Government Code § 2001.142, by agreement under Texas Government Code § 2001.147, or by written Commission order issued pursuant to Texas Government 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 Texas Government 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.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order

dated DEC 08 2020)

MAG/wcd