

TCEQ Interoffice Memorandum

To: Mary Smith, General Counsel

Thru: *MBC* Melissa Cordell, Assistant Deputy Director
Enforcement Division

From: *MP* Michael Parrish, Team Leader
Special Functions Team

Date: May 26, 2023

Subject: **Backup Revision**
May 31, 2023 Commission Agenda
Item No. 12 – Magellan E & P Holdings, Inc.
Docket No. 2021-0933-AIR-E

Enclosed please find the following:

Executive Summary:

- Page 2, Respondent's Attorney – Added **Ross Spence, Attorney, Spence, Desenberg & Lee, PLLC, 1770 St James Place, Suite 625, Houston, Texas 77056**

Please do not hesitate to call Michael Parrish at (512) 239-2548 if you have any questions regarding this matter.

cc: Garrett Arthur, Public Interest Counsel
Melissa Schmidt, Public Interest Counsel
Gill Valls, Office of General Counsel
Katherine McKenzie, Agenda Coordinator, Litigation Division
Amy Settemeyer, Deputy Director, Enforcement Division
Melissa Cordell, Assistant Deputy Director, Enforcement Division
Rebecca Margain-Nunez, Executive Assistant, Enforcement Division
Michael De La Cruz, Manager, Air Section, Enforcement Division
Yuliya Dunaway, Enforcement Coordinator, Air Section, Enforcement Division

Executive Summary – Enforcement Matter – Case No. 61063
Magellan E & P Holdings, Inc.
RN111142097
Docket No. 2021-0933-AIR-E

Violation Information

1. Failed to prevent unauthorized emissions. The emissions event was determined to be an excessive emissions event [TEX. HEALTH & SAFETY CODE § 382.085(a)].
2. Failed to identify all required information on the initial notification for a reportable emissions event [30 TEX. ADMIN. CODE § 101.201(a)(2)(F), (G), and (I) and TEX. HEALTH & SAFETY CODE § 382.085(b)].
3. Failed to identify all required information on the final record for a reportable emissions event [30 TEX. ADMIN. CODE § 101.201(b)(1)(F) and TEX. HEALTH & SAFETY CODE § 382.085(b)].

Corrective Actions/Technical Requirements

Corrective Action(s) Completed:

The Respondent implemented the following corrective measures:

- a. On November 30, 2020, submitted the initial notification for the emissions event that began on September 1, 2020 that identified the estimated total quantities for the mixtures of air contaminants released during the emissions event and the actions taken or being taken to correct the emissions event and to minimize the emissions;
- b. On December 16, 2020, provided the estimated duration of the emissions event that began on September 1, 2020;
- c. On December 28, 2020, plugged and abandoned the well in order to address the excessive emissions event that began on September 1, 2020; and
- d. On or before September 7, 2021, sold the Site.

Technical Requirements:

N/A

Contact Information

TCEQ Attorney: N/A

TCEQ Enforcement Coordinator: Yuliya Dunaway, Enforcement Division, Enforcement Team 2, MC R-13, (210) 403-4077; Michael Parrish, Enforcement Division, MC 219, (512) 239-2548

Respondent: Ronald J. Sommers, Trustee, Magellan E & P Holdings, Inc., 2800 Post Oak Boulevard, 6th Floor, Houston, Texas 77056

Respondent's Attorney: Ross Spence, Attorney, Spence, Desenberg & Lee, PLLC, 1770 St James Place, Suite 625, Houston, Texas 77056

Executive Summary – Enforcement Matter – Case No. 61063
Magellan E & P Holdings, Inc.
RN111142097
Docket No. 2021-0933-AIR-E

Order Type:

Findings Agreed Order

Findings Order Justification:

People or environmental receptors have been exposed to pollutants which exceed levels that are protective.

Media:

AIR

Small Business:

No

Location(s) Where Violation(s) Occurred:

Mustang Island 926 Platform, located approximately two miles offshore in state waters near Corpus Christi, Nueces County

Type of Operation:

Oil and gas platform

Other Significant Matters:

Additional Pending Enforcement Actions: No

Past-Due Penalties: No

Other: Respondent filed a petition for bankruptcy relief under United States Code ch. 7 on or about March 30, 2021. So long as the automatic stay is in effect in the Respondent's bankruptcy proceedings, the TCEQ will not seek to execute upon monetary judgment without first approaching the United States Bankruptcy Court where the Respondent's bankruptcy case is pending as necessary.

Interested Third-Parties: None

Texas Register Publication Date: March 10, 2023

Comments Received: No

Penalty Information

Total Penalty Assessed: \$85,032

Total Paid to General Revenue: \$0

Total Due to General Revenue: \$0

Payment Plan: N/A

Compliance History Classifications:

Person/CN - N/A

Site/RN - N/A

Major Source: No

Statutory Limit Adjustment: N/A

Applicable Penalty Policy: April 2014

Investigation Information

Complaint Date(s): N/A

Complaint Information: N/A

Date(s) of Investigation: November 23, 2020 through May 28, 2021

Date(s) of NOE(s): July 9, 2021

Executive Summary – Enforcement Matter – Case No. 61063
Magellan E & P Holdings, Inc.
RN111142097
Docket No. 2021-0933-AIR-E

Violation Information

1. Failed to prevent unauthorized emissions. The emissions event was determined to be an excessive emissions event [TEX. HEALTH & SAFETY CODE § 382.085(a)].
2. Failed to identify all required information on the initial notification for a reportable emissions event [30 TEX. ADMIN. CODE § 101.201(a)(2)(F), (G), and (I) and TEX. HEALTH & SAFETY CODE § 382.085(b)].
3. Failed to identify all required information on the final record for a reportable emissions event [30 TEX. ADMIN. CODE § 101.201(b)(1)(F) and TEX. HEALTH & SAFETY CODE § 382.085(b)].

Corrective Actions/Technical Requirements

Corrective Action(s) Completed:

The Respondent implemented the following corrective measures:

- a. On November 30, 2020, submitted the initial notification for the emissions event that began on September 1, 2020 that identified the estimated total quantities for the mixtures of air contaminants released during the emissions event and the actions taken or being taken to correct the emissions event and to minimize the emissions;
- b. On December 16, 2020, provided the estimated duration of the emissions event that began on September 1, 2020;
- c. On December 28, 2020, plugged and abandoned the well in order to address the excessive emissions event that began on September 1, 2020; and
- d. On or before September 7, 2021, sold the Site.

Technical Requirements:

N/A

Contact Information

TCEQ Attorney: N/A

TCEQ Enforcement Coordinator: Yuliya Dunaway, Enforcement Division, Enforcement Team 2, MC R-13, (210) 403-4077; Michael Parrish, Enforcement Division, MC 219, (512) 239-2548

Respondent: Ronald J. Sommers, Trustee, Magellan E & P Holdings, Inc., 2800 Post Oak Boulevard, 6th Floor, Houston, Texas 77056

Respondent's Attorney: N/A



Penalty Calculation Worksheet (PCW)

Policy Revision 4 (April 2014)

PCW Revision March 26, 2014

DATES	Assigned	12-Jul-2021	Screening	19-Jul-2021	EPA Due	
	PCW	30-Jul-2021				

RESPONDENT/FACILITY INFORMATION	
Respondent	Magellan E & P Holdings, Inc.
Reg. Ent. Ref. No.	RN111142097
Facility/Site Region	14-Corpus Christi
Major/Minor Source	Minor

CASE INFORMATION			
Enf./Case ID No.	61063	No. of Violations	3
Docket No.	2021-0933-AIR-E	Order Type	Findings
Media Program(s)	Air	Government/Non-Profit	No
Multi-Media		Enf. Coordinator	Yuliya Dunaway
		EC's Team	Enforcement Team 4
Admin. Penalty \$ Limit Minimum	\$0	Maximum	\$25,000

Penalty Calculation Section

TOTAL BASE PENALTY (Sum of violation base penalties)	Subtotal 1	\$113,375
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ADJUSTMENTS (+/-) TO SUBTOTAL 1

Subtotals 2-7 are obtained by multiplying the Total Base Penalty (Subtotal 1) by the indicated percentage.

Compliance History	0.0%	Adjustment	Subtotals 2, 3, & 7	\$0
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Notes: No adjustments due to Compliance History.

Culpability	No	0.0%	Enhancement	Subtotal 4	\$0
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Notes: The Respondent does not meet the culpability criteria.

Good Faith Effort to Comply Total Adjustments	Subtotal 5	-\$28,343
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Economic Benefit	0.0%	Enhancement*	Subtotal 6	\$0
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Total EB Amounts	\$811
Estimated Cost of Compliance	\$50,500

*Capped at the Total EB \$ Amount

SUM OF SUBTOTALS 1-7	Final Subtotal	\$85,032
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OTHER FACTORS AS JUSTICE MAY REQUIRE	0.0%	Adjustment	\$0
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Reduces or enhances the Final Subtotal by the indicated percentage.

Notes:

Final Penalty Amount	\$85,032
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STATUTORY LIMIT ADJUSTMENT	Final Assessed Penalty	\$85,032
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DEFERRAL	0.0%	Reduction	Adjustment	\$0
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Reduces the Final Assessed Penalty by the indicated percentage.

Notes: No deferral is recommended for Findings Orders.

PAYABLE PENALTY	\$85,032
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Screening Date 19-Jul-2021

Docket No. 2021-0933-AIR-E

PCW

Respondent Magellan E & P Holdings, Inc.

Policy Revision 4 (April 2014)

Case ID No. 61063

PCW Revision March 26, 2014

Reg. Ent. Reference No. RN111142097

Media Air

Enf. Coordinator Yuliya Dunaway

Compliance History Worksheet

>> Compliance History Site Enhancement (Subtotal 2)

Component	Number of...	Number	Adjust.
NOVs	Written notices of violation ("NOVs") with same or similar violations as those in the current enforcement action (<i>number of NOVs meeting criteria</i>)	0	0%
	Other written NOVs	0	0%
Orders	Any agreed final enforcement orders containing a denial of liability (<i>number of orders meeting criteria</i>)	0	0%
	Any adjudicated final enforcement orders, agreed final enforcement orders without a denial of liability, or default orders of this state or the federal government, or any final prohibitory emergency orders issued by the commission	0	0%
Judgments and Consent Decrees	Any non-adjudicated final court judgments or consent decrees containing a denial of liability of this state or the federal government (<i>number of judgments or consent decrees meeting criteria</i>)	0	0%
	Any adjudicated final court judgments and default judgments, or non-adjudicated final court judgments or consent decrees without a denial of liability, of this state or the federal government	0	0%
Convictions	Any criminal convictions of this state or the federal government (<i>number of counts</i>)	0	0%
Emissions	Chronic excessive emissions events (<i>number of events</i>)	0	0%
Audits	Letters notifying the executive director of an intended audit conducted under the Texas Environmental, Health, and Safety Audit Privilege Act, 74th Legislature, 1995 (<i>number of audits for which notices were submitted</i>)	0	0%
	Disclosures of violations under the Texas Environmental, Health, and Safety Audit Privilege Act, 74th Legislature, 1995 (<i>number of audits for which violations were disclosed</i>)	0	0%
Other	Environmental management systems in place for one year or more	No	0%
	Voluntary on-site compliance assessments conducted by the executive director under a special assistance program	No	0%
	Participation in a voluntary pollution reduction program	No	0%
	Early compliance with, or offer of a product that meets future state or federal government environmental requirements	No	0%

Adjustment Percentage (Subtotal 2) 0%

>> Repeat Violator (Subtotal 3)

N/A

Adjustment Percentage (Subtotal 3) 0%

>> Compliance History Person Classification (Subtotal 7)

N/A

Adjustment Percentage (Subtotal 7) 0%

>> Compliance History Summary

Compliance History Notes

No adjustments due to Compliance History.

Total Compliance History Adjustment Percentage (Subtotals 2, 3, & 7) 0%

>> Final Compliance History Adjustment

Final Adjustment Percentage *capped at 100% 0%

Screening Date 19-Jul-2021 **Docket No.** 2021-0933-AIR-E **PCW**
Respondent Magellan E & P Holdings, Inc. *Policy Revision 4 (April 2014)*
Case ID No. 61063 *PCW Revision March 26, 2014*
Reg. Ent. Reference No. RN111142097
Media Air
Enf. Coordinator Yuliya Dunaway

Violation Number 1
Rule Cite(s) Tex. Health & Safety Code § 382.085(a)
Violation Description Failed to prevent unauthorized emissions. Specifically, the Respondent released 103,974.88 pounds of volatile organic compounds as fugitive emissions, during an emissions event that began on September 1, 2020 and lasted 2,496 hours. The emissions event occurred due to a failure in the wing valve of the casing wellhead, resulting in the release to the atmosphere. The emissions event was determined to be an excessive emissions event.
Base Penalty \$25,000

>> Environmental, Property and Human Health Matrix

OR	Release	Harm			Percent
		Major	Moderate	Minor	
	Actual	x			30.0%
	Potential				

>> Programmatic Matrix

	Falsification	Major	Moderate	Minor	Percent
					0.0%

Matrix Notes Human health or the environment has been exposed to pollutants which exceed levels that are protective of human health or environmental receptors as a result of the violation.

Adjustment \$17,500
 \$7,500

Violation Events

Number of Violation Events 15 104 Number of violation days

daily	
weekly	x
monthly	
quarterly	
semiannual	
annual	
single event	

Violation Base Penalty \$112,500

Fifteen weekly events are recommended.

Good Faith Efforts to Comply 25.0% Reduction \$28,125

	Before NOE/NOV	NOE/NOV to EDPRP/Settlement Offer
Extraordinary		
Ordinary	x	
N/A		

Notes The Respondent completed the corrective actions by December 28, 2020, prior to the Notice of Enforcement ("NOE") dated July 9, 2021.

Violation Subtotal \$84,375

Economic Benefit (EB) for this violation Statutory Limit Test

Estimated EB Amount \$808 **Violation Final Penalty Total** \$84,375

This violation Final Assessed Penalty (adjusted for limits) \$84,375

Economic Benefit Worksheet

Respondent Magellan E & P Holdings, Inc.
Case ID No. 61063
Reg. Ent. Reference No. RN111142097
Media Air
Violation No. 1

Percent Interest	Years of Depreciation
5.0	15

Item Description	Item Cost	Date Required	Final Date	Yrs	Interest Saved	Costs Saved	EB Amount
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Delayed Costs

Equipment				0.00	\$0	\$0	\$0
Buildings				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0
Engineering/Construction				0.00	\$0	\$0	\$0
Land				0.00	\$0	n/a	\$0
Record Keeping System				0.00	\$0	n/a	\$0
Training/Sampling				0.00	\$0	n/a	\$0
Remediation/Disposal				0.00	\$0	n/a	\$0
Permit Costs				0.00	\$0	n/a	\$0
Other (as needed)	\$50,000	1-Sep-2020	28-Dec-2020	0.32	\$808	n/a	\$808

Notes for DELAYED costs Estimated cost to plug and abandon the well in order to address the excessive emissions event that began on September 1, 2020. The Date Required is the date the emissions event began and the Final Date is the date of compliance.

Avoided Costs

ANNUALIZE avoided costs before entering item (except for one-time avoided costs)

Disposal				0.00	\$0	\$0	\$0
Personnel				0.00	\$0	\$0	\$0
Inspection/Reporting/Sampling				0.00	\$0	\$0	\$0
Supplies/Equipment				0.00	\$0	\$0	\$0
Financial Assurance				0.00	\$0	\$0	\$0
ONE-TIME avoided costs				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0

Notes for AVOIDED costs

Approx. Cost of Compliance \$50,000

TOTAL \$808

Screening Date 19-Jul-2021
Respondent Magellan E & P Holdings, Inc.
Case ID No. 61063
Reg. Ent. Reference No. RN111142097
Media Air

Docket No. 2021-0933-AIR-E

PCW

Policy Revision 4 (April 2014)
PCW Revision March 26, 2014

Enf. Coordinator Yuliya Dunaway

Violation Number 2

Rule Cite(s) 30 Tex. Admin. Code § 101.201(a)(2)(F), (G), and (I) and Tex. Health & Safety Code § 382.085(b)

Violation Description
 Failed to identify all required information on the initial notification for a reportable emissions event. Specifically, the Respondent did not identify the compound descriptive type of the individually listed compounds or mixtures of air contaminants released during the emissions event; the estimated total quantities for those compounds or mixtures; and the actions taken, or being taken, to correct the emissions event and to minimize the emissions on the initial notification for the incident that began on September 1, 2020.

Base Penalty \$25,000

>> Environmental, Property and Human Health Matrix

OR	Release	Harm			Percent
		Major	Moderate	Minor	
	Actual				0.0%
	Potential				

>> Programmatic Matrix

Matrix Notes	Falsification	Harm			Percent
		Major	Moderate	Minor	
			x		2.5%

More than 30% but less than 70% of the rule requirements were not met.

Adjustment \$24,375

\$625

Violation Events

Number of Violation Events 1 209 Number of violation days

daily	
weekly	
monthly	
quarterly	
semiannual	
annual	
single event	x

Violation Base Penalty \$625

One single event is recommended for the incomplete initial notification.

Good Faith Efforts to Comply

25.0%

Reduction \$156

	Before NOE/NOV	NOE/NOV to EDPRP/Settlement Offer
Extraordinary		
Ordinary	x	
N/A		

Notes The Respondent completed the corrective actions on November 30, 2020, prior to the NOE dated July 9, 2021.

Violation Subtotal \$469

Economic Benefit (EB) for this violation

Statutory Limit Test

Estimated EB Amount \$3

Violation Final Penalty Total \$469

This violation Final Assessed Penalty (adjusted for limits) \$469

Economic Benefit Worksheet

Respondent Magellan E & P Holdings, Inc.
Case ID No. 61063
Reg. Ent. Reference No. RN111142097
Media Air
Violation No. 2

Percent Interest	Years of Depreciation
5.0	15

Item Description	Item Cost	Date Required	Final Date	Yrs	Interest Saved	Costs Saved	EB Amount
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Delayed Costs

Equipment				0.00	\$0	\$0	\$0
Buildings				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0
Engineering/Construction				0.00	\$0	\$0	\$0
Land				0.00	\$0	n/a	\$0
Record Keeping System				0.00	\$0	n/a	\$0
Training/Sampling				0.00	\$0	n/a	\$0
Remediation/Disposal				0.00	\$0	n/a	\$0
Permit Costs				0.00	\$0	n/a	\$0
Other (as needed)	\$250	2-Sep-2020	30-Nov-2020	0.24	\$3	n/a	\$3

Notes for DELAYED costs

Estimated cost to submit the initial notification for the emissions event that began on September 1, 2020 that identified the estimated total quantities for the mixtures of air contaminants released during the emissions event and the actions taken or being taken to correct the emissions event and to minimize the emissions. The Date Required is the date the initial notification was due and the Final Date is the date of compliance.

Avoided Costs

ANNUALIZE avoided costs before entering item (except for one-time avoided costs)

Disposal				0.00	\$0	\$0	\$0
Personnel				0.00	\$0	\$0	\$0
Inspection/Reporting/Sampling				0.00	\$0	\$0	\$0
Supplies/Equipment				0.00	\$0	\$0	\$0
Financial Assurance				0.00	\$0	\$0	\$0
ONE-TIME avoided costs				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0

Notes for AVOIDED costs

Approx. Cost of Compliance \$250

TOTAL \$3

Screening Date 19-Jul-2021
Respondent Magellan E & P Holdings, Inc.
Case ID No. 61063
Reg. Ent. Reference No. RN111142097
Media Air
Enf. Coordinator Yuliya Dunaway

Docket No. 2021-0933-AIR-E

PCW

Policy Revision 4 (April 2014)
PCW Revision March 26, 2014

Violation Number 3

Rule Cite(s) 30 Tex. Admin. Code § 101.201(b)(1)(F) and Tex. Health & Safety Code § 382.085(b)

Violation Description Failed to identify all required information on the final record for a reportable emissions event. Specifically, the Respondent did not report the estimated duration of the emissions event on the final record for the incident that began on September 1, 2020.

Base Penalty \$25,000

>> Environmental, Property and Human Health Matrix

OR	Release	Harm			Percent
		Major	Moderate	Minor	
	Actual				0.0%
	Potential				

>> Programmatic Matrix

Falsification	Major	Moderate	Minor	Percent
			x	1.0%

Matrix Notes Less than 30% of the rule requirements were not met.

Adjustment \$24,750

\$250

Violation Events

Number of Violation Events 1 106 Number of violation days

daily	
weekly	
monthly	
quarterly	
semiannual	
annual	
single event	x

Violation Base Penalty \$250

One single event is recommended.

Good Faith Efforts to Comply

25.0%

Reduction \$62

	Before NOE/NOV	NOE/NOV to EDPRP/Settlement Offer
Extraordinary		
Ordinary	x	
N/A		

Notes The Respondent completed the corrective actions on December 16, 2020, prior to the NOE dated July 9, 2021.

Violation Subtotal \$188

Economic Benefit (EB) for this violation

Statutory Limit Test

Estimated EB Amount \$0

Violation Final Penalty Total \$188

This violation Final Assessed Penalty (adjusted for limits) \$188

Economic Benefit Worksheet

Respondent Magellan E & P Holdings, Inc.
Case ID No. 61063
Reg. Ent. Reference No. RN111142097
Media Air
Violation No. 3

Percent Interest	Years of Depreciation
5.0	15

Item Description	Item Cost	Date Required	Final Date	Yrs	Interest Saved	Costs Saved	EB Amount
------------------	-----------	---------------	------------	-----	----------------	-------------	-----------

Delayed Costs

Equipment				0.00	\$0	\$0	\$0
Buildings				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0
Engineering/Construction				0.00	\$0	\$0	\$0
Land				0.00	\$0	n/a	\$0
Record Keeping System				0.00	\$0	n/a	\$0
Training/Sampling				0.00	\$0	n/a	\$0
Remediation/Disposal				0.00	\$0	n/a	\$0
Permit Costs				0.00	\$0	n/a	\$0
Other (as needed)	\$250	13-Dec-2020	16-Dec-2020	0.01	\$0	n/a	\$0

Notes for DELAYED costs
 Estimated cost to provide the estimated duration of the emissions event that began on September 1, 2020. The Date Required is the date the emissions event ended and the Final Date is the date of compliance.

Avoided Costs

ANNUALIZE avoided costs before entering item (except for one-time avoided costs)

Disposal				0.00	\$0	\$0	\$0
Personnel				0.00	\$0	\$0	\$0
Inspection/Reporting/Sampling				0.00	\$0	\$0	\$0
Supplies/Equipment				0.00	\$0	\$0	\$0
Financial Assurance				0.00	\$0	\$0	\$0
ONE-TIME avoided costs				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0

Notes for AVOIDED costs

Approx. Cost of Compliance \$250

TOTAL \$0

The TCEQ is committed to accessibility.

To request a more accessible version of this report, please contact the TCEQ Help Desk at (512) 239-4357.



Compliance History Report

Compliance History Report for CN605836840, RN111142097, Rating Year 2020 which includes Compliance History (CH) components from September 1, 2015, through August 31, 2020.

Customer, Respondent, or Owner/Operator: CN605836840, Magellan E & P Holdings, Inc. **Classification:** NOT APPLICABLE **Rating:** N/A
Regulated Entity: RN111142097, MUSTANG ISLAND 926 PLATFORM **Classification:** NOT APPLICABLE **Rating:** N/A
Complexity Points: N/A **Repeat Violator:** N/A
CH Group: 14 - Other
Location: APPROXIMATELY TWO MILES OFFSHORE IN STATE WATERS NEAR CORPUS CHRISTI, NUECES COUNTY, TX
TCEQ Region: REGION 14 - CORPUS CHRISTI

ID Number(s):

AIR QUALITY NON PERMITTED ID NUMBER
R14111142097

Compliance History Period: September 01, 2015 to August 31, 2020 **Rating Year:** 2020 **Rating Date:** 09/01/2020

Date Compliance History Report Prepared: July 19, 2021

Agency Decision Requiring Compliance History: Enforcement

Component Period Selected: July 19, 2016 to July 19, 2021

TCEQ Staff Member to Contact for Additional Information Regarding This Compliance History.

Name: Yuliya Dunaway

Phone: (210) 403-4077

Site and Owner/Operator History:

- 1) Has the site been in existence and/or operation for the full five year compliance period? NO
- 2) Has there been a (known) change in ownership/operator of the site during the compliance period? NO

Components (Multimedia) for the Site Are Listed in Sections A - J

A. Final Orders, court judgments, and consent decrees:

N/A

B. Criminal convictions:

N/A

C. Chronic excessive emissions events:

N/A

D. The approval dates of investigations (CCEDS Inv. Track. No.):

Item 2 June 23, 2021 (1699467)

E. Written notices of violations (NOV) (CCEDS Inv. Track. No.):

A notice of violation represents a written allegation of a violation of a specific regulatory requirement from the commission to a regulated entity. A notice of violation is not a final enforcement action, nor proof that a violation has actually occurred.

N/A

F. Environmental audits:

N/A

G. Type of environmental management systems (EMSs):

N/A

H. Voluntary on-site compliance assessment dates:

N/A

I. Participation in a voluntary pollution reduction program:

N/A

J. Early compliance:

N/A

Sites Outside of Texas:

N/A

Appendix A

All NOVs Issued During Component Period 7/19/2016 and 7/19/2021

N/A

For Informational Purposes Only

Appendix B

All Investigations Conducted During Component Period July 19, 2016 and July 19, 2021

(1699467)

Item 1*

June 23, 2021

For Informational Purposes Only

(1680185)

Item 2

July 09, 2021

For Informational Purposes Only

* No violations documented during this investigation

**Investigation applicable for the Compliance History Rating period between 09/01/2015 and 08/31/2020.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



**IN THE MATTER OF AN
ENFORCEMENT ACTION
CONCERNING
MAGELLAN E & P HOLDINGS,
INC.
RN111142097**

§
§
§
§
§
§

**BEFORE THE
TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY**

**AGREED ORDER
DOCKET NO. 2021-0933-AIR-E**

On _____, the Texas Commission on Environmental Quality ("the Commission" or "TCEQ") considered this agreement of the parties, resolving an enforcement action regarding Magellan E & P Holdings, Inc. (the "Respondent") under the authority of TEX. HEALTH & SAFETY CODE ch. 382 and TEX. WATER CODE ch. 7. The Executive Director of the TCEQ, through the Enforcement Division, and the Respondent presented this Order to the Commission.

The Respondent understands that it has certain procedural rights at certain points in the enforcement process, including the right to formal notice of violations, notice of an evidentiary hearing, the right to an evidentiary hearing, and a right to appeal. By entering into this Order, the Respondent agrees to waive all notice and procedural rights.

It is further understood and agreed that this Order represents the complete and fully-integrated agreement of the parties. The provisions of this Order are deemed severable and, if a court of competent jurisdiction or other appropriate authority deems any provision of this Order unenforceable, the remaining provisions shall be valid and enforceable. The duties and responsibilities imposed by this Order are binding upon the Respondent.

The Commission makes the following Findings of Fact and Conclusions of Law:

I. FINDINGS OF FACT

1. The Respondent owned and operated an oil and gas platform located approximately two miles offshore in state waters near Corpus Christi, Nueces County, Texas (the "Site"). The Site consists or consisted of one or more sources as defined in TEX. HEALTH & SAFETY CODE § 382.003(12).
2. During a record review conducted from November 23, 2020 through May 28, 2021, an investigator documented that:
 - a. The Respondent released 103,974.88 pounds of volatile organic compounds as fugitive emissions, during an emissions event that began on September 1, 2020 and lasted 2,496 hours. The emissions event occurred due to a failure in the wing valve of the casing wellhead, resulting in the release to the atmosphere. TCEQ staff determined that the emissions event was an excessive emissions event.

- b. The Respondent did not identify the compound descriptive type of the individually listed compounds or mixtures of air contaminants released during the emissions event; the estimated total quantities for those compounds or mixtures; and the actions taken, or being taken, to correct the emissions event and to minimize the emissions on the initial notification for the incident that began on September 1, 2020.
 - c. The Respondent did not report the estimated duration of the emissions event on the final record for the incident that began on September 1, 2020.
3. The Executive Director recognizes that the Respondent implemented the following corrective measures at the Site:
 - a. On November 30, 2020, submitted the initial notification for the emissions event that began on September 1, 2020 that identified the estimated total quantities for the mixtures of air contaminants released during the emissions event and the actions taken or being taken to correct the emissions event and to minimize the emissions.
 - b. On December 16, 2020, provided the estimated duration of the emissions event that began on September 1, 2020.
 - c. On December 28, 2020, plugged and abandoned the well in order to address the excessive emissions event that began on September 1, 2020.
 - d. On or before September 7, 2021, sold the Site.

II. CONCLUSIONS OF LAW

1. As evidenced by Finding of Fact No. 1, the Respondent is subject to the jurisdiction of the TCEQ pursuant to TEX. HEALTH & SAFETY CODE ch. 382 and the rules of the TCEQ.
2. As evidenced by Finding of Fact No. 2.a, the Respondent failed to prevent unauthorized emissions, in violation of TEX. HEALTH & SAFETY CODE § 382.085(a). The emissions event was determined to be an excessive emissions event.
3. As evidenced by Finding of Fact No. 2.b, the Respondent failed to identify all required information on the initial notification for a reportable emissions event, in violation of 30 TEX. ADMIN. CODE § 101.201(a)(2)(F), (G), and (I) and TEX. HEALTH & SAFETY CODE § 382.085(b).
4. As evidenced by Finding of Fact No. 2.c, the Respondent failed to identify all required information on the final record for a reportable emissions event, in violation of 30 TEX. ADMIN. CODE § 101.201(b)(1)(F) and TEX. HEALTH & SAFETY CODE § 382.085(b).
5. Pursuant to TEX. WATER CODE § 7.051, the TCEQ has the authority to assess an administrative penalty against the Respondent for violations of state statutes within the

TCEQ's jurisdiction, for violations of rules adopted under such statutes, or for violations of orders or permits issued under such statutes.

6. An administrative penalty in the amount of \$85,032 is justified by the facts recited in this Order, and considered in light of the factors set forth in TEX. WATER CODE § 7.053. On or about March 30, 2021, the Respondent filed a petition for bankruptcy relief pursuant to Chapter 7 of the United States Code ("USC"). The automatic stay imposed by the Bankruptcy Code [specifically, 11 USC § 362(a)] does not apply to the commencement or continuation of an action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power, by virtue of the exception set out at 11 USC § 362(b)(4). Accordingly, TCEQ [a governmental unit as defined under 11 USC § 101(27)] is expressly excepted from the automatic stay in pursuing enforcement of the State's environmental protection laws, and in seeking to enter a monetary judgment for such violations. However, so long as the automatic stay is in effect in the Respondent's bankruptcy proceedings, the TCEQ will not seek to execute upon any monetary judgment obtained without first approaching the United States Bankruptcy Court where the Respondent's bankruptcy case is pending as necessary.

III. ORDERING PROVISIONS

NOW, THEREFORE, THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ORDERS that:

1. The Respondent is assessed a penalty as set forth in Section II, Paragraph 6. The assessment of this penalty and the Respondent's compliance with all requirements set forth in this Order resolve only the allegations in Section II. The Commission shall not be constrained in any manner from considering or requiring corrective action or penalties for violations which are not raised here. Penalty payments may be made payable to "TCEQ" and sent with the notation "Re: Magellan E & P Holdings, Inc., Docket No. 2021-0933-AIR-E" to:

Financial Administration Division, Revenue Operations Section
Attention: Cashier's Office, MC 214
Texas Commission on Environmental Quality
P.O. Box 13088
2. All relief not expressly granted in this Order is denied.
3. The duties and provisions imposed by this Order shall apply to and be binding upon the Respondent.
4. The Executive Director may grant an extension of any deadline in this Order or in any plan, report, or other document submitted pursuant to this Order, upon a written and substantiated showing of good cause. All requests for extensions by the Respondent shall be made in writing to the Executive Director. Extensions are not effective until the Respondent receives written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.


5. The Executive Director may, without further notice or hearing, refer this matter to the Office of the Attorney General of the State of Texas ("OAG") for further enforcement proceedings if the Executive Director determines that the Respondent has not complied with one or more of the terms in this Order.
6. This Order shall terminate five years from its effective date or upon compliance with all the terms and conditions set forth in this Order, whichever is later.
7. This Order, issued by the Commission, shall not be admissible against the Respondent in a civil proceeding, unless the proceeding is brought by the OAG to: (1) enforce the terms of this Order; or (2) pursue violations of a statute within the Commission's jurisdiction, or of a rule adopted or an order or permit issued by the Commission under such a statute.
8. This Order may be executed in separate and multiple counterparts, which together shall constitute a single instrument. Any page of this Order may be copied, scanned, digitized, converted to electronic portable document format ("pdf"), or otherwise reproduced and may be transmitted by digital or electronic transmission, including but not limited to facsimile transmission and electronic mail. Any signature affixed to this Order shall constitute an original signature for all purposes and may be used, filed, substituted, or issued for any purpose for which an original signature could be used. The term "signature" shall include manual signatures and true and accurate reproductions of manual signatures created, executed, endorsed, adopted, or authorized by the person or persons to whom the signatures are attributable. Signatures may be copied or reproduced digitally, electronically, by photocopying, engraving, imprinting, lithographing, electronic mail, facsimile transmission, stamping, or any other means or process which the Executive Director deems acceptable. In this paragraph exclusively, the terms: electronic transmission, owner, person, writing, and written, shall have the meanings assigned to them under TEX. BUS. ORG. CODE § 1.002.
9. The effective date of this Order is the date it is signed by the Commission. A copy of this fully executed Order shall be provided to each of the parties.

SIGNATURE PAGE

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

For the Commission

Date



For the Executive Director

4/12/2023

Date

I, the undersigned, have read and understand the attached Order. I am authorized to agree to the attached Order, and I do agree to the terms and conditions specified therein. I further acknowledge that the TCEQ is materially relying on such representation.

I also understand that failure to comply with the Ordering Provisions, if any, in this Order may result in:

- A negative impact on compliance history;
- Greater scrutiny of any permit applications submitted;
- Referral of this case to the Attorney General's Office for contempt, injunctive relief, additional penalties, and/or attorney fees;
- Increased penalties in any future enforcement actions;
- Automatic referral to the Attorney General's Office of any future enforcement actions; and
- TCEQ seeking other relief as authorized by law.

In addition, any falsification of any compliance documents may result in criminal prosecution.

Signature

Date

Name (Printed or typed)
Authorized Representative of
Magellan E & P Holdings, Inc.

Title

If mailing address has changed, please check this box and provide the new address below:

Instructions: Send the original, signed Order to the Financial Administration Division, Revenue Operations Section at the address in Ordering Provision 1 of this Order.