RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION

OIL AND GAS DOCKET NO. 01-0221244

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY LIF-TEX OIL RECOVERY, INC. (500490), AS TO THE C.P. ROSS "A" (03146) LEASE, WELL NOS. 2, 3X, 4X, 7, 8, 9 AND 10, LULING-BRANYON FIELD, CALDWELL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 6, 1999 and that the respondent, Lif-Tex Oil Recovery, Inc. (500490), failed to appear or respond to the notice. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Lif-Tex Oil Recovery, Inc. (500490), ("respondent") was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 (Organization Report) address, which was signed and returned to the Commission.

2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Opportunity for Hearing, was signed and returned to the Commission on September 23, 1999. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.

3. Respondent designated itself to the Commission as the operator of Well Nos. 2, 3X, 4X, 7, 8, 9 and 10 on the C.P. Ross "A" (03146) Lease ("subject wells"/subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective on July 1, 1997.

4. The subject wells have been dry or inactive for a period in excess of one year. Commission inspection and/or production reports indicate that the subject wells ceased production on or before August 31, 1997.

5. The subject wells were not properly plugged in accordance with, and in a timely manner and were not otherwise in compliance with, Statewide Rule 14.

6. Usable quality water in the area could have been contaminated by migrations or discharges

of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to public health and safety because of the probability of pollution.

7. The Commission used State Funds to plug the subject wells.

8. A Commission district office inspection was conducted on January 7, 1999 for the C.P. Ross "A" (03146) Lease. Well No. 10 was actively leaking oil and produced water affecting an area measuring approximately 45' x 25'. A follow up inspection was conducted on January 26, 1999 indicating that Well No. 10 has stopped leaking; however, the oi affected area had not been remediated. On June 28, 1999, an inspection indicated that Well No. was again actively leaking oil; the affected area was shown as having increased in size to approximately 48' x 25'.

9. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.

10. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or can leach into the ground and percolate through soils into groundwater supplies.

11. Commission district office inspections were conducted on January 7, 1999, January 26, 1999 and June 28, 1999 for the C.P. Ross "A" (03146) Lease. Well No. 9 does not have a wellhead assembly and has casing open to the atmosphere.

12. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.

13. The respondent did not demonstrate good faith since it failed to plug or otherwise place the subject wells and subject lease in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad 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 in this hearing have been performed or have occurred.

3. Respondent is in violation of Commission Statewide Rules 8(d)(1), 13(b)(1)(B) and

14(b)(2).

4. Respondent is responsible for maintaining the subject lease in compliance with Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.

5. Respondent is responsible for maintaining the subject lease in compliance with Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.

6. Respondent is responsible for maintaining the subject wells and the subject lease in compliance with all applicable Statutes and Commission rules, specifically Statewide Rules 14, 58, and 79 and Chapters 89 and 91, Texas Natural Resources Code.

7. The documented violations committed by the respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531(c) (Vernon 1993).

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. Lif-Tex Oil Recovery, Inc. (500490), shall place the C.P. Ross "A" (03146) Lease, Well Nos. 2, 3X, 4X, 7, 8, 9 and 10, Luling-Branyon Field, Caldwell County, Texas in compliance with applicable Commission rules and regulations; and

2. Lif-Tex Oil Recovery, Inc. (500490), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND DOLLARS ($9,000.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. 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 90 days from the date the order is served on the parties.

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 $10,000.00 per day per violation.

Done this 24th day of February, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated February 24, 2000)

MFE/sa