

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

OIL AND GAS DOCKET NO. 01-0221557

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ALCOR ENERGY, INC. (011260), AS TO THE BIRD-LORENZ UNIT LEASE, WELL NO. 4, NIXON FIELD, WILSON COUNTY; AND THE VICTOR HOUSTON (13983) LEASE, WELL NO. 15A, FREDDY HUTT, SOUTH (WILCOX) FIELD, MCMULLEN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 21, 1999, and that the respondent, Alcor Energy, Inc. (011260), 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. Alcor Energy, Inc. (011260), ("respondent") was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Hearing Opportunity, was returned to the Commission marked "unclaimed" on June 8, 1999 and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On May 5, 1998, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individuals: Patrick S. Niedorf, President; and Randy B. Niedorf; Vice-President.
4. Respondent designated itself to the Commission as the operator of Well No. 4 on the Bird-Lorenz Unit Lease and Well No. 15A on the Victor Houston (13983) Lease ("subject wells"/"subject leases") by filing a Form W-1 (Application to Drill, Deepen, Plug Back or Re-Enter) with the Commission, on September 25, 1997 for the Bird-Lorenz Unit Lease, and a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on July 24, 1995 for the Victor Houston (13983) Lease.
5. The subject wells were dry and 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 February 2, 1998 for the Bird-Lorenz Unit Lease, Well No. 4, and Well No. 15A on the Victor Houston (13983) Lease has never produced.
6. The subject wells were not properly plugged in accordance with, and were not otherwise in compliance with, Statewide Rule 14.
7. Usable quality groundwater in the area could have been contaminated by migrations or discharge of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
8. The estimated cost to the State of plugging the subject wells is \$7,100.00 for Well No. 4 on the Bird-

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Lorenz Unit Lease and \$8,200.00 for Well No. 15A on the Victor Houston (13983) Lease.

9. A Commission district office inspection was conducted August 18, 1998 for the Bird-Lorenz Unit Lease. There was an oil spill affecting an area 15' x 15' in diameter, near the drill pits. Follow up inspections on September 23, 1998, December 22, 1998 and February 25, 1999, indicate that the 15' x 15' affected area had weathered and dried, but was still in need of remediation.
10. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
11. 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.
12. Commission district office inspections were conducted on January 28, 1999 and March 4, 1999 for the Victor Houston (13983) Lease. Respondent was maintaining a set of four (4) dry reserve or mud circulation pits. Commission records reveal that drilling operations on the subject lease were completed on December 20, 1997.
13. Commission district office inspections were conducted on August 19, 1998, September 23, 1998, December 22, 1998 and February 25, 1999 for the Bird-Lorenz Unit Lease. Respondent was maintaining a set of four (4) dry reserve or mud circulation pits. Commission records reveal that the drilling operation on the subject lease was completed on December 20, 1997.
14. Unfilled pits constitute a hazard to public health and safety because of the potential for illegal dumping in the pits and the potential for surface run-off to collect in the pit and seep into subsurface waters.
15. Respondent has not demonstrated good faith since it failed to place the subject wells and leases 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 was in violation of Commission Statewide Rules 8(d)(1), 8(d)(4)(G)(i)(I) and 14(b)(2).
4. Respondent was 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 8(d)(4)(G)(i)(I), which requires reserve pits and mud circulation pits to be dewatered, backfilled and compacted within one year of cessation of drilling operations.
6. Respondent is responsible for maintaining the subject wells and leases 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.

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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. Alcor Energy, Inc. (011260), shall place the Bird-Lorenz Unit Lease, Well No. 4, Nixon Field, Wilson County; and the Victor Houston (13983) Lease, Well No. 15A, Freddy Hutt, South (Wilcox) Field, McMullen County, Texas in compliance with applicable Commission rules and regulations; and
2. Alcor Energy, Inc. (011260), shall remit 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 it is actually mailed to the parties by the Commission; provided that if a motion for rehearing is filed by any party at interest within such 20-day period, this order shall not become final and effective until such motion is overruled, or if rehearing 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 27th day of July, 1999.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated July 27, 1999)

MFE/sa