

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

OIL AND GAS DOCKET NO. 01-0242233

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY WALKING X OIL CO. (892810), AS TO THE J.C. DILWORTH ET AL (08075) LEASE, WELL NO. 6, DILWORTH RANCH (MULA) FIELD, J.C. DILWORTH LEASE, WELL NO. 7 (106929), NORTH DILWORTH RANCH (MULA) FIELD, AND J.C. DILWORTH (09451) LEASE, WELL NOS. 10 AND 12, N. DILWORTH RANCH (WASHBURN) FIELD, MCMULLEN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 18, 2005, and that the respondent, Walking X Oil Co. (892810), 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. Walking X Oil Co. (892810), ("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, which was returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was returned to the Commission marked "unclaimed" on August 2, 2005. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Mitchell D. Valentine, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
4. Jerry W. Stanford, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

6. Respondent designated itself to the Commission as the operator of Well No. 6 on the J.C. Dilworth Et Al (08075) Lease, Well No. 7 (106929) on the J.C. Dilworth Lease and Well Nos. 10 and 12 on the J.C. Dilworth (09451) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on May 1, 2001 for all of the subject wells and subject leases.
7. According to Commission records the Respondent's Form P-5 (Organization Report) is active. Respondent has a \$50,000.00 bond as its financial assurance.
8. Production from Well No. 6 ceased on or before June 30, 2000. Well No. 7 ceased injection on or before September 30, 2001. Production from Well Nos. 10 and 12 ceased on or before November 30, 2001.
9. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
10. Usable quality groundwater in the area is likely to be contaminated by migrations or discharges 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.
11. The estimated cost to the State of plugging Well No. 6 on the J.C. Dilworth Et Al (08075) Lease is \$13,690.00, \$13,150.00 for Well No. 7 (106929) on J.C. Dilworth Lease and \$27,500.00 for Well Nos. 10 and 12 on the J.C. Dilworth (09451) Lease.
12. Commission district office inspections were conducted on October 12, 2004, January 6, 2005, February 14, 2005 and August 4, 2005 for the J.C. Dilworth (09451) Lease. Respondent had caused or allowed an unauthorized discharge of oil, affecting an area measuring approximately 8' x 6' at the separator at Well No. 10.
13. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
14. 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.
15. Well No. 7 (106929) on the J.C. Dilworth Lease is a permitted salt water disposal well. Commission records reveal that Well No. 7 is required to be tested annually and that the subject well failed its last h-5 test conducted on July 12, 2001.
16. Commission district office inspections were conducted on October 12, 2004, January 6, 2005, February 14, 2005 and August 4, 2005 indicating that the annulus valves on the subject well were buried and unable to be accessed for testing.
17. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases and subject wells 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 to 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), 9(12) 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 Statewide Rule 9(12), which requires that the mechanical integrity of a disposal well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity to meet performance standards.
6. Respondent is responsible for maintaining the subject leases and subject wells in compliance with all applicable Commission rules according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the 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 2001).
8. As a person in a position of ownership or control of respondent at the time respondent isolated Commission rules related to safety and the control of pollution, Mitchell D. Valentine, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 91.114(a)(2) for a period of no more than seven years from the date the order entered in this matter becomes final, or until the conditions that constituted the violations herein are corrected or are being corrected in accordance with a schedule to which the Commission and the organization have agreed; and all administrative, civil, and criminal penalties and all cleanup and plugging costs incurred by the State relating to those conditions are paid or are being paid in accordance with a schedule to which the Commission and the organization have agreed, whichever is earlier.
9. As a person in a position of ownership or control of respondent at the time respondent isolated Commission rules related to safety and the control of pollution, Jerry W. Stanford, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 91.114(a)(2) for a period of no more than seven years from the date the order entered in this matter becomes final, or until the conditions that constituted the violations herein are corrected or are being corrected in accordance with a schedule to which the Commission and the organization have agreed; and all administrative, civil, and criminal penalties and all cleanup and plugging costs incurred by the State relating to those conditions are paid or are being paid in accordance with a schedule to which the Commission and the organization have agreed, whichever is earlier.

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

1. Walking X Oil Co. (892810), shall plug the J.C. Dilworth Et Al (08075) Lease, Well No. 6, Dilworth Ranch (Mula) Field, J.C. Dilworth Lease, Well No. 7 (106929), North Dilworth Ranch (Mula) Field, and the J.C. Dilworth (09451) Lease, Well Nos. 10 and 12, N. Dilworth Ranch (Washburn) Field, McMullen County, Texas in compliance with applicable Commission rules and regulations; and
2. Walking X Oil Co. (892810), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TEN THOUSAND FIVE HUNDRED DOLLARS (\$10,500.00)**.

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 parties are notified of the order.

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 1st day of November 2005.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated November 1, 2005)

ME/sa