

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

OIL AND GAS DOCKET NO. 01-0252529

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY SHWJ OIL & GAS CO., INC. (779245), AS TO THE DOROTHY CHADDOCK (01268) LEASE, WELL NOS. 1, 2, 3, 4 AND 5, MINERVA-ROCKDALE FIELD, MILAM COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 4, 2007, and that the respondent, SHWJ Oil & Gas Co., Inc. (779245), failed to appear or respond to the Notice of Opportunity for Hearing. 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. SHWJ Oil & Gas Co., Inc. (779245), ("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 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 August 29, 2007. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On November 8, 2006, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Monte Anderson, President; and Mario Lanza, Vice-President.
4. Monte Anderson was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

5. Mario Lanza was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
6. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
7. Respondent designated itself to the Commission as the operator of Well Nos. 1, 2, 3, 4 and 5 on the Dorothy Chaddock (01268) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on October 1, 2004.
8. According to Commission records the Respondent's Form P-5 (Organization Report) is delinquent as of July 1, 2007. Respondent had \$50,000.00 cash as its Financial Assurance at the time of its last P-5 renewal.
9. Commission district office inspections were conducted on April 12, 2007, May 17, 2007, May 23, 2007 and July 2, 2007 for the Dorothy Chaddock (01268) Lease. The Commission was denied keys and or combinations for entrance to the site.
10. Commission district office inspections were conducted on April 12, 2007, May 17, 2007, May 23, 2007 and July 2, 2007 for the Dorothy Chaddock (01268) Lease. The signs or identification required to be posted at the lease entrance, Well Nos. 1 and 4 and at the tank were missing.
11. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
12. The subject wells ceased production on or before September 30, 2003.
13. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
14. The estimated cost to the State of plugging the subject wells is \$13,000.00.
15. Commission district office inspections were conducted on April 12, 2007, May 17, 2007, May 23, 2007 and July 2, 2007 for the Dorothy Chaddock (01268) Lease. There was a leak of crude oil at the stuffing box at Well No. 5, with an area of oil-saturated soil approximately 4' by 4'.
16. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
17. 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.

18. Commission district office inspections were conducted on April 12, 2007, May 17, 2007, May 23, 2007 and July 2, 2007 for the Dorothy Chaddock (01268) Lease. Well No. 1 was open to the atmosphere, having no wellhead control.
19. 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 the land surface can migrate into surface or subsurface waters.
20. Commission records reflect that on July 5, 2006, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation, or production, of oil or gas from the Dorothy Chaddock (01268) Lease, that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
21. Commission records reflect that Respondent did not timely show compliance with all requirements of law for retention of the certificate of compliance and, as a result, the certificate of compliance for the Dorothy Chaddock (01268) Lease, was cancelled, and Respondent given notice of such cancellation, on August 8, 2006.
22. Commission district office inspections were made on April 12, 2007 and May 17, 2007 for the Dorothy Chaddock (01268) Lease. Respondent was actively producing Well No. 5 on both inspection dates, after the certificate of compliance had been cancelled and before a new certificate of compliance had been issued.
23. The respondent has not demonstrated good faith since it failed to place the subject lease 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.
24. Respondent has a history of Commission rule violations including the following docket(s):

Docket No. 01-0249369; Rules 13 and 14; Final Order Served: July 18, 2007; and
Docket No. 01-0248154; Rule 14; Final Order Served: July 18, 2007.

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 Statewide Rules 2, 3, 14(b)(2), 8(d)(1), 13(b)(1)(B) and Tex. Nat. Res. Code 85.166 and 73(i).

4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 2, which requires that the Commission or its representatives shall have access to come upon any lease or property operated or controlled by an operator, producer, or transporter of oil, gas or geothermal resources, and to inspect any and all leases, properties, and wells and all records of said lease, properties, and wells.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, which requires that each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 73(i), which makes it unlawful for an operator of wells to produce oil, gas, or geothermal resources from the wells after notice from the Commission has been provided to the operator that the certificate of compliance for the wells has been cancelled and before a new certificate of compliance with respect to the wells has been issued by the Commission.
9. Respondent violated Tex. Nat. Res. Code §85.166, by producing the Dorothy Chaddock (01268) Lease, after notice from the Commission that the certificate of compliance had been cancelled and before a new certificate of compliance had been issued.
10. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Monte Anderson, 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 sooner, if 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.
11. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Mario Lanza, 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 sooner, if 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.

12. Respondent is responsible for maintaining the subject lease 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.
13. 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. §85.166.

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

1. SHWJ Oil & Gas Co., Inc. (779245), shall plug the Dorothy Chaddock (01268) Lease, Well Nos. 1, 2, 3, 4 and 5, Minerva-Rockdale Field, Milam County, Texas in compliance with applicable Commission rules and regulations; and
2. SHWJ Oil & Gas Co., Inc. (779245), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIXTEEN THOUSAND DOLLARS (\$16,000.00)**.

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 12th day of February 2008.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated February 12, 2008)

JD/sa