

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

OIL AND GAS DOCKET NO. 01-0262295

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ROCKLAND OIL COMPANY (723453), AS TO THE JESSE ELKINS (06909) LEASE, WELL NOS. 6 AND 8, ACLETO CREEK (POTH C) FIELD, AND JESSE ELKINS -B- (07314) LEASE, WELL NOS. 1, 3 AND 4, ACLETO CREEK (POTH A) FIELD, WILSON COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 8, 2009, and that the respondent, Rockland Oil Company (723453), 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. Rockland Oil Company (723453), ("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 mailed to Respondent's most recent P-5 address, was signed and returned to the Commission on August 31, 2009. 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 October 14, 2008, Respondent filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Myron J. Palmero; President.
4. Myron J. Palmero, 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 Nos. 6 and 8 on the Jesse Elkins (06909) Lease and Well Nos. 1, 3 and 4 on the Jesse Elkins -B- (07314) Lease ("subject wells"/"subject leases") by filing Forms P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on October 1, 2007, for both of the subject leases and the subject wells.
7. According to Commission records, the Respondent's Form P-5 (Organization Report) became delinquent on October 1, 2009. Respondent had a \$50,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Well No. 6 on the Jesse Elkins (06909) Lease was shut-in in February 2007, and has been inactive for a period greater than one year. The Jesse Elkins (06909) Lease was severed on March 5, 2009.
9. Well Nos. 1, 3 and 4 on the Jesse Elkins -B- (07314) Lease did not produce during 2008. Production was reported for this lease for January, July, August and September 2009, but the wells have not been restored to "active" status under Statewide Rule 14. This lease was severed on March 5, 2009.
10. The Statewide Rule 14(b)(2) plugging extension for Well No. 6 on the Jesse Elkins (06909) Lease was denied on February 3, 2009 for failure to perform a required H-15 test.
11. The Statewide Rule 14(b)(2) plugging extension for Well No. 8 on the Jesse Elkins (06909) Lease was denied on September 30, 2009 for a non-active P-5 (Organization Report).
12. The Statewide Rule 14(b)(2) plugging extension for Well No. 1 on the Jesse Elkins -B- (07314) Lease was denied on September 30, 2009 for a non-active P-5 (Organization Report).
13. The Statewide Rule 14(b)(2) plugging extension for Well No. 3 on the Jesse Elkins -B- (07314) Lease was denied on February 3, 2009 for failure to file an H-15 test.
14. The Statewide Rule 14(b)(2) plugging extension for Well No. 4 on the Jesse Elkins -B- (07314) Lease was denied on September 30, 2009 for a non active P-5 (Organization Report).
15. 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.
16. The total estimated cost to the State for plugging Well Nos. 6 and 8 on the Jesse Elkins (06909) Lease is \$8,300.00.
17. The total estimated cost to the State for plugging Well Nos. 1, 3 and 4 on the Jesse Elkins -B- (07314) Lease is \$8,300.00.
18. A Commission District inspection was conducted on June 3, 2009 for the Jesse Elkins

- (06909) Lease. The signs or identification required to be posted at the lease entrance and at Well Nos. 6 and 8 displayed incorrect information.
19. A Commission District inspection was conducted on June 3, 2009 for the Jesse Elkins (06909) Lease. The sign or identification required to be posted at the tank did not display the required commingling permit number.
 20. A Commission District inspection was conducted on June 3, 2009 for the Jesse Elkins -B- (07314) Lease. The signs or identification required to be posted at the lease entrance and Well Nos. 1, 3 and 4 displayed incorrect information.
 21. A Commission District inspection was conducted on June 3, 2009 for the Jesse Elkins -B- (07314) Lease. The sign or identification required to be posted at the tank did not display the required commingling permit number.
 22. 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.
 23. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Jesse Elkins (06909) Lease, Well No. 6. The Jesse Elkins (06909) Lease, Well No. 6 was completed on November 8, 1980. An H-15 test was due in January of 2009, and the well has not been plugged.
 24. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Jesse Elkins -B- (07314) Lease, Well No. 3. The Jesse Elkins -B- (07314) Lease, Well No. 3 was completed on August 29, 1981. An H-15 test was due in January of 2009, and the well has not been plugged.
 25. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 01-0259876; Final Order Served: March 11, 2009.

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 3, 14(b)(2) and 14(b)(3).
4. Respondent is responsible for maintaining the subject leases 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.

5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), which requires that the operator of any well more than 25 years old that becomes inactive shall plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
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).
8. 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, Myron J. Palmero, 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. Rockland Oil Company (723453), shall plug or otherwise place the Jesse Elkins (06909) Lease, Well Nos. 6 and 8, Acleto Creek (Poth C) Field, and the Jesse Elkins -B- (07314) Lease, Well Nos. 1, 3 and 4, Acleto Creek (Poth A) Field, Wilson County, Texas in compliance with applicable Commission rules and regulations; and

2. Rockland Oil Company (723453), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ELEVEN THOUSAND TWO HUNDRED FIFTY DOLLARS (\$11,250.00)**.

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 26th day of January 2010.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated January 26, 2010)

JD/sa