

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

OIL AND GAS DOCKET NO. 02-0221843

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY PRODUCERS ENERGY CORPORATION (680182), AS TO THE LEROY JANAK UNIT LEASE, WELL NO. 1 (470577), WILDCAT FIELD, LAVACA COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on July 15, 1999, and that the respondent, Producers Energy Corporation (680182), 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. Producers Energy Corporation (680182), ("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, sent to the P-5 address was signed and returned to the Commission on June 22, 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. On August 31, 1998, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: Denver Donald Gartner; President.
4. Respondent designated itself to the Commission as the operator of Well No. 1 (470577) on the Janak Unit Lease ("subject well"/"subject lease") by filing a Form W-1 (Application to Drill, Deepen, Plug Back or Re-Enter) with the Commission, on or about November 26, 1997.
5. Commission district office inspections were conducted on October 13, 1998, November 16,

OIL AND GAS DOCKET NO. 02-0221843

1998, February 11, 1999, March 19, 1999 and April 5, 1999 for the Leroy Janak Unit Lease. Respondent was maintaining four drill pits measuring 30' x 60' x 6', 120' x 175' x 5', 120' x 4' and 60' x 90' x 4'. Well No. 1 (470577) was discovered to be dry and was plugged and abandoned on or about February 8, 1998. The Respondent should have emptied, backfilled and compacted the drill pits on or before February 8, 1999.

6. 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.
7. The respondent has not demonstrated good faith since it failed to place the 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 Rule 8(d)(4)(G)(i)(I).
4. Respondent was 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.
5. Respondent is responsible for maintaining 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.
6. 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:

OIL AND GAS DOCKET NO. 02-0221843

1. Producers Energy Corporation (680182), shall plug and or otherwise place the Leroy Janak Unit Lease, Well No. 1 (470577), Wildcat Field, Lavaca County, Texas in compliance with applicable Commission rules and regulations; and
2. Producers Energy Corporation (680182), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOUR THOUSAND DOLLARS (\$4,000.00)**.

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 5th day of October, 1999.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated October 5, 1999)

MFK/sa