

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

**OIL AND GAS DOCKET NO. 02-0255344**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY NORTHSTAR ENERGY, INC. (614617), AS TO THE BELLINGER, JAMES LEASE, WELL NO. 1 (620999), AND THE KONVICKA LEASE, WELL NO. 1 (628551), WILDCAT FIELD, LAVACA COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 4, 2008, and that the respondent, Northstar Energy, Inc. (614617), failed to appear or respond to the Notice of 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. Northstar Energy, Inc. (614617), ("Respondent") was given Notice of 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 Hearing mailed to Respondent's, most recent P-5 address, was signed and returned to the Commission on February 19, 2008. 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 June 27, 2007, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Larry Michael Koonce; President.
4. Larry Michael Koonce, 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. 1 (620999) on the Bellinger, James Lease and Well No. 1 (628551) on the Konvicka Lease ("subject wells"/"subject leases") by filing Form W-1's (Application to Drill, Deepen, Plug Back or Re-Enter) with the Commission for the Bellinger, James Lease issued on June 15, 2006, and for the Konvicka Lease issued on November 6, 2006.
7. According to Commission records the Respondent's Form P-5 (Organization Report) is active. Respondent has \$50,000.00 cash as its financial assurance.
8. Commission records indicate that Well No. 1 (620999) on the Bellinger, James Lease was completed in September 2006. Commission District inspections were conducted on July 27, 2007, August 20, 2007, October 15, 2007, December 17, 2007 and October 22, 2008 for the Bellinger, James Lease, Well No. 1 (620999). There were two open drilling pits at the well measuring approximately 12' x 60' and 120' x 150'.
9. According to Commission records Well No. 1 (628551) of the Konvicka Lease was completed in March 2007. A Commission District inspection conducted on November 14, 2007 for the Konvicka Lease, Well No. 1 (628551), indicated the presence of an open reserve pit containing fluids which field tested at a chloride level of 15,000 ppm. Followup inspections made on December 11, 2007, December 20, 2007 and October 27, 2008 show the pit remains and has not been dewatered.
10. 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.
11. According to Commission records Well No. 1 (620999) on the Bellinger, James Lease was completed on September 30, 2006. Respondent has failed to file the requisite completion report.
12. According to Commission records Well No. 1 (628551) on the Konvicka Lease was completed on March 17, 2007. Respondent has failed to file the requisite completion report.
13. The Respondent did not demonstrate good faith since it failed to timely 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.
14. Northstar Energy, Inc. (614617), has been in bankruptcy since December 5, 2003.

### **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)(4)(G)(i)(I), 8(d)(4)(G)(i)(II) and 16(b).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide 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 Statewide Rule 8(d)(4)(G)(i)(II), which requires reserve pits and mud circulation pits which contain fluids with a chloride concentration in excess of 6,100 mg/l shall be dewatered within 30 days and backfilled and compacted within one year of cessation of drilling operations.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires that the owner or operator of an oil, gas or geothermal resource well, within 30 days after the completion of such well or the plugging of such well, if the well is a dry hole, shall file with the Commission the appropriate completion or plugging report.
7. 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.
8. 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).
9. 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, Larry Michael Koonce, 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. Northstar Energy, Inc. (614617), shall place the Bellinger, James Lease, Well No. 1 (620999), and the Konvicka Lease, Well No. 1 (628551), Wildcat Field, Lavaca County, Texas in compliance with applicable Commission rules and regulations; and

2. Northstar Energy, Inc. (614617), shall be assessed by the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND FIFTY DOLLARS (\$6,050.00) less FOUR THOUSAND FIVE HUNDRED DOLLARS (\$4,500.00) already received.**

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 31<sup>st</sup> day of March 2009.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated March 31, 2009)

ME/sa