

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

OIL AND GAS DOCKET NO. 03-0221860

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY P.K. OIL AND GAS, INC. (666848), AS TO THE COLEMAN, DEWITT (10161) LEASE, HALLIDAY (WOODBINE) FIELD, LEON COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on January 20, 2000 and that the respondent, P.K. Oil and Gas, Inc. (666848), 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. P.K. Oil and Gas, Inc. (666848), ("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, was signed and returned to the Commission on November 30, 1999. The certified receipts have been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On September 1, 1998, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: Alan B. Knollenberg; President.
4. Respondent designated itself to the Commission as the operator of the Coleman, Dewitt (10161) Lease ("subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective on September 10, 1997.

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5. A Commission district office inspection was conducted on March 11, 1999 for the Coleman, Dewitt (10161) Lease. The presence of oil-saturated soil between the heater treater and the creek measuring approximately 180' x 15' x 1" deep. Another area of oil-saturated soil located inside the firewall measured approximately 15' x 20' x 1" deep. A district office inspection was conducted on March 23, 1999 indicating that the oil was percolating through the remediated soil at the heater treater. The oil inside the firewall remained. On April 9, 1999 a district office inspection was conducted indicating that although no further remediation had been done at the heater treater, oil was still percolating through the tilled sand. Sand had also been scattered over the area at the firewall; however, live oil was still visible. On May 5, 1999 a district office inspection was conducted indicating that the 15' x 30' firewall was covered with oil to a depth of 4". There was also a 40' x 25' x 6" deep area at the heater treater found saturated with oil. On June 8, 1999 a district office inspection report was conducted indicating that the oil-affected sites had been adequately remediated. A July 22, 1999 inspection report indicated that a new discharge of oil was affecting an area approximately 5' x 8'. On or before August 10, 1999 the oil-saturated soil had been cleaned.
6. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
7. 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.
8. The respondent did not demonstrate 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.
9. The Coleman, Dewitt (10161) Lease was in violation of Rule 8(d)(1) from March 1999 to August 1999.

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 was in violation of Commission Statewide Rule 8(d)(1).
4. Respondent was 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 was responsible for maintaining the subject lease in compliance, in a timely

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manner, 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:

1. P.K. Oil and Gas, Inc. (666848), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND DOLLARS (\$2,000.00)**.

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 11th day of April, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated April 11, 2000)

MH/sa