

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

**OIL AND GAS DOCKET NO. 03-0223038**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CHAIN OIL & GAS, INC. (142250), AS TO THE PIAZZA, JOE (01264) LEASE, WELL NO. 1, DICKINSON FIELD, GALVESTON 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 January 27, 2000 and that the respondent, Chain Oil & Gas, Inc. (142250), 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. Chain Oil & Gas, Inc. (142250), ("respondent") were 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 returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Hearing Opportunity, was returned to the Commission marked "unclaimed" on January 13, 2000. 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 January 8, 2000, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: Robert Chain; President.
4. Respondent designated itself to the Commission as the operator of Well No. 1 on the Piazza, Joe (01264) Lease ("subject well"/subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective on June 19, 1995.

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5. Commission district office inspections were conducted between June 15, 1999 and November 5, 1999 on the Piazza, Joe (01264) Lease. On or about June 15, 1999 lightning struck the tank battery on the lease causing an explosion and fire which resulted in significant damage to several tanks and other equipment on the lease. Damage to the tanks resulted in approximately 90 barrels of oil and 500 barrels of produced water (tested at 10,000 ppm chlorides) being spilled into the firewall where it mixed with rain water and threatened to overflow. There was a 2' PVC line running from inside the firewall to a point 25' outside the firewall. Produced water (tested at 20,000 ppm chlorides) had flowed through the PVC line and covered an area 200' x 60' outside the firewall. By June 23, 1999, approximately 200-300 barrels of produced water remained within the firewall. Approximately 5 barrels of oil was floating on top of the produced water. The produced water which had escaped through the PVC line had been picked up. By July 2, 1999 an accumulation of rain water caused the 5 barrels of oil which had been floating on the produced water to migrate into a previously dry area of the firewall. By September 1, 1999, all but approximately 10-15 barrels of the produced water from within the firewall had been drained through a 3" PVC line and had accumulated outside the firewall affecting an area 150' x 60'. It should be noted that a waterway, (Gum Bayou) was approximately 150 yards from the area affected by the produced water. By September 17, 1999, the conditions described above remained essentially the same except that additional produced water had been removed from the firewall leaving approximately 5 barrels of fluid. On October 12, 1999, Commission inspectors arrived at the lease to investigate a report of a new oil spill and found that significant work had been done on the lease (by someone other than the Respondent). Well No. 1, which had not been pumping since the June 15, fire/explosion, had been put back in service; however, in the presence of the Commission Inspector, Well No. 1 began to blow oil up through the stuffing box spraying oil and saltwater in a 30' area around the well and causing 90 gallons of oil to collect in the well cellar. Absorbent material was placed in the affected areas. Commission inspections on October 13 and 25, 1999, November 5, 1999 and November 30, 1999 indicated that some cleanup of the oil and water spills was occurring but a significant amount of cleanup remained to be done. Also, a new spill of 15-20 barrels of saltwater had collected within the firewall apparently caused by a break in a flow line from a storage tank.
6. No permit has been issued to 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 the 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. Commission district office inspections were conducted on June 15, 1999, November 5, 1999 and November 30, 1999 for the Piazza, Joe (01264) Lease. Well No. 1 did not have wellhead assembly and had gas venting from various points (stripper head at the polish rod and from the casing valves) throughout this time period.
9. 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

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and safety because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.

10. The respondent did not demonstrate good faith since it failed to plug or otherwise place the subject well and 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.
11. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 03-0216712; Rule 14; Final Order Served: May 25, 1999;  
Docket No. 03-0219604; Rule 14; Final Order Served: May 25, 1999;  
Docket No. 03-0219769; Rule 14; Final Order Served: May 25, 1999;  
Docket No. 03-0221113; Rule 14; Final Order Served: May 25, 1999;  
Docket No. 03-0215103; Rule 8; Final Order Served: May 25, 1999; and  
Docket No. 03-0217857; Rule 8; Final Order Served: May 25, 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 is in violation of Commission Statewide Rules 8(d)(1) and 13(b)(1)(B).
4. Respondent is 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 is responsible for maintaining the subject lease in compliance with Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
6. Respondent is responsible for maintaining the subject well and 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.
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) (Vernon 1993).

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

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1. Chain Oil & Gas, Inc. (142250), shall plug and or place in compliance the Piazza, Joe (01264) Lease, Well No. 1, Dickinson Field, Galveston County, Texas in compliance with applicable Commission rules and regulations; and
2. Chian Oil & Gas, Inc. (142250), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ELEVEN THOUSAND FIVE HUNDRED DOLLARS (\$11,500.00)**.

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)

MFE/sa